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## The Entrepreneurial Process:an Assessment of a Real Life Case Study and a Theoretical Model

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# **The Entrepreneurial Process, an Assessment of a Real Life Case Study and a Theoretical Model.**

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**MPhil**

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**March 2007**

## **Abstract**

The purpose of this work is to record and document the development cycle of an entrepreneur focusing specifically on the point of start up of the entrepreneurs business through to a key juncture when the entrepreneur sells a portion of his business. The work then examines the Klofsten Business Platform Model, a model that might be described as a self diagnostic tool for new start up ventures by entrepreneurs. The entrepreneur then analyses his business development in light of Klofstens' Model and comments on how he feels his real life experience fits into the proposed model. After a period of reflection he then offers suggestions that he feels can supplement the model, based on his actual experiences.

## **Declaration**

I certify that this thesis which I now submit for examination for the award of MPhil, is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

This thesis was prepared according to the guidelines for postgraduate study by research of the Dublin Institute of Technology and has not been submitted in whole or in part for an award in any other Institute or University.

The work reported on in this thesis conforms to the principles and requirements of the Institute's guidelines for ethics in research.

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Signature \_\_\_\_\_

Date \_\_\_\_\_

## Acknowledgements

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# **Chapter 1 The Case: Knowing in Motion.**

## **1.1 This Entrepreneurs Family Back Ground.**

What makes an entrepreneur? There is an age old argument of “Nature v Nurture”. Is an entrepreneur born or is he / she created? The purpose of this document is not to try to answer this argument definitively, but to give my opinion on the matter having created and developed my own business in an entrepreneurial manner for the last 10 years or more. I believe that I have enough experience and knowledge to be able to have a reasonable opinion on this subject. I will examine my life experience as an entrepreneur and compare it against a model of entrepreneurialism put forward by a practitioner in this field, Dr Klofsten. I will analyse the development of my business in the light of Klofsten’s model and see if there is a fit between the model and my experience. If there is a perfect match, it could put forward the theory that you can create an entrepreneur since you know all the ingredients that make up the perfect entrepreneur. Let’s see if this supposition holds water. To examine this, allow me to delve back and begin with my background and explain where I have come from.

“Tuas maith, is leath na h’obire”. As this old Irish “saying” says, “A good start is half the work”. I think the good start I got so in life was as a result of the family background and upbringing I received when I was young. It helped shape and mould me. It helped prepare me for what lay ahead. I think, looking back, that I was always destined to become an entrepreneur, but did not realise it until my late teens. I always felt that I had skills and talents that were different to other people. That’s not to say that everyone else has not got their own skill set. Looking back now, it is only now that I realise that my skills were destined to be used to build a business and if I had not been lucky enough to realise that when I did, I would have been forever a frustrated entrepreneur.

I am not sure that if I had not chosen to follow the path I did when I did, would I have taken the plunge later on in life? I sometimes think that it is extremely difficult for people who have a mortgage and perhaps young children to take the risk and walk away from the

security of paid employment to set up on their own. This tends to be the stage when most people start to think about setting up their own business as they have a few years of experience and perhaps some capital of their own. I sometimes think that people who do this have more courage than I do. My thinking at the time when I started up was “I have nothing, so I have nothing to lose”. I suppose the foolishness of youth was partly responsible for me throwing myself so whole heartedly into the project. Failure was never an option. It was very much a “whatever it takes” attitude that I started off the business with and that pretty much still stays with me to this very day.

Upon reflection, I more than likely would have thrown myself into starting a business at some stage of my life if I had not done it when I did. It would have eaten away at me and I would have had to submit to it at some stage. Perhaps the vision may not have been so vivid at a later stage in life or perhaps I may not have been prepared to take the risks I took or have had as much time available to devote to the project as I did in the early days. Any new project needs total dedication at the early stages and this takes time. If you are at a later stage in life and have more demands on your time, such as wife, kids etc., it can be difficult to give it the total dedication it needs. I think I would have done something, but perhaps it may not have been as ambitious as the project turned out to be.

Luckily, I did start out the project when I did, but as I was saying, a lot of the ground work was done while I was young, without me even realising the importance it would have on my future. I was born in 1969 and as a result, I grew up in Ireland during the “Haughey Years”. Unemployment was high, interest rates were high, inflation was high, emigration was high and confidence levels were low. There was not exactly an “Entrepreneurial Environment” being promoted in Ireland at the time. It seemed that at the time, the Irish Government was investing its job creation money with the multi nationals. There seemed to be very little interest in promoting indigenous Irish companies. We have seen the success of the job creation by the multi nationals in stimulating the economy over the last number of years. This has been augmented in the later years with a lot more support for indigenous companies. I did however feel even in those early days that there is always



room for someone with a good idea and a lot of determination to succeed in business in Ireland, never suspecting in those early years that I would be one of them.

This type of thinking would have been supported by evidence from the economy in those early days. It most certainly was not supported by influences I would have had from home. Both of my parents were from modest backgrounds and were civil servants. They had come from the generation who believed that getting a government job with a pension was as good as it gets. This obviously stemmed from the stagnant economic environment that they had been brought up in Ireland in the 1940's and 1950's. All the children in my family were encouraged to get a good education and then get a Civil Service job upon leaving university. I just could not get comfortable with this line of thinking. I always believed that I should be rewarded for how good (or bad) I was for whatever I chose to do in my life. I could never have been happy just getting promoted every 5 years and being on a fixed salary, no matter how hard I worked. I always knew that I would work hard at whatever I did and I wanted to be rewarded accordingly.

I was brought up in what would generally be described as a working class area of Dublin. It was here I learned a lot. I met some of the nicest people you could ever meet in your life here and I also met some people who would take the eye out of your head if they were given a chance. I learned that if you treat decent people well, they will repay you with loyalty and friendship. I also learned that the people on the other side of the line only think about what they can get for themselves. You do learn to deal with this and you become "streetwise" for want of a better description. This can be quite an important element of the skill set you need to rise to the challenge of building a successful business, the ability to understand different types of people.

I was also part of a big family. I was in the middle of 5 children. We all got on well together. We had the usual growing up rows, but we always pulled together as a unit when the time came. Indeed it was thanks, to a large extent, to the support from this family unit that I was able to get things moving in the very early days. Family and friends gave their

support, morally and physically. This was an important element in my growing confidence in the early days and as importantly, keeping costs down. I will return to this later.

I also played a lot of sport in my younger days. I participated in a lot of team sports and undertook lot of individual sports as well. Surprisingly enough, I was far happier being involved with team sports. I enjoyed the camaraderie elements of this and I tended to find that while I was not always the best player on the team, very often I ended up being captain of the team. It must have been either, I displayed leadership skills from an early age, or no one else wanted the role!!!!

I was the one who would quietly organise things on the pitch and quietly encourage other members of the team if they were not having a good day. I was the guy who always turned up for training and was first out on to the pitch and never tried to dodge any of the hard running. I did it because I enjoyed it. I also felt that as I was not the best guy on the team, I had to try that bit harder so that I could be sure that I was making the best contribution to the team that I could. I never wanted to be the one who let the team down. I always wanted to lead by example. Those days of spending hours running around a wet and cold football pitch taught me that if you are determined enough, put in the right amount of hard work and have a good team around you, you can achieve the success that you strive for.

The foundation stones were laid and all I needed to do was recognise the drive that lay within me and then identify an opportunity and channel my energy in the right direction.

## **1.2 Meet a Real Entrepreneur.**

Well, as previously stated, I identified entrepreneurial spirit at an early age within myself, well late teens anyway. I always felt that I had some unique talents that at the very least would lead me to a fairly successful career in whatever field I chose. However, it wasn't until my mid to late teens that I recognised that the skills and talents that I felt I had were actually guiding me to setting up my own business at a later stage. As I was growing up I worked in a diverse range of jobs. I sold hot dogs in Landsdowne Road, I even worked in a hairdressing salon for a few months one summer and then the Christmas prior to completing my leaving certificate I worked in Chapters Book Shop, a book shop based in Dublin City Centre.

It was here that I first met a real entrepreneur, I watched what he did and looked at the way the business was run and realised that 'I could do that'. I always thought, when I was growing up, that people who run their own business successfully have their own secret formula. Now I know that, while there is no secret formula, you do need certain skills, after that it is a bit of luck and a lot of hard work. I do however believe that you make your own luck. If you have not put yourself in the right place, you won't be able to take advantage of any bit of luck that may come your way.

I was fascinated by the way Chapters was being run. During my employment in there, I realised that there was a concept there, something that Willie (The owner of Chapters) had identified. He had set up in the right location, he had worked hard and was getting the results. I spent 3 or 4 years, while I was studying in college, working in Chapters and more and more as time went on I knew that, without a doubt, I wanted to set up my own business, I just didn't know what it was at that point. I really enjoyed the "buzz" of business.

After I sat my Leaving Cert for the first time I applied for several courses, mainly in Information Technology as this was the 'in thing' at the time. I didn't get offered the course that I wanted but was offered several alternative courses including a BA at UCD and

an electronic courses at Kevin St. DIT. This, however, was not what I wanted to do so I decided to repeat my Leaving Cert. Looking back it was definitely one of the best decisions I made as it gave me the extra few months to be absolutely sure of what I wanted to do. It was during this time that the idea of setting up my own business crystalised. Once this was identified I applied for a course that had a broad business base. I did this for two reasons, firstly that knowledge of as many aspects of business that I could encounter would be useful as I did not know what field I would be going into, and secondly I felt that should I be unsuccessful in my chosen business I would always have an academic qualification to fall back on. I think that it is an important safety net, knowing that should things go wrong there is always an alternative that can be used at a later date. Having said that, once I started the business there was no looking back or looking to take the “out” option. During the days when times were difficult, the first twelve to eighteen months being the toughest, never once did I consider walking away from it and not continuing even though the option was there.

I remember working in Chapters the first Christmas and being absolutely enthralled by the thrill of business and how busy a place could be. I loved seeing how successful a place could be with some hard work put into it. I then asked Willie for a Saturday job, which he was good enough to provide, and I went to the branch in Abbey Street and spent every Saturday packing boxes for delivery to the other 2 or 3 Chapters Stores. Here I cut my teeth at the ground floor, doing everything that needed to be done within the shop. I was happy to experience every level I encountered as I wanted to learn everything I could about running a business, from taking deliveries in, stripping them down, splitting them up, making sure the invoices matched up, everything. Whatever it took, I wanted to know. The following summer I took a full time job with Chapters. Again, as soon as I started I wanted to get involved and learn as much as I could. Indeed, within 4 to 6 weeks one of the managers left one of stores and I was asked to step in and manage the store for a few weeks while I was there in the summer while they found a replacement. Maybe at 19 years of age it was quite a responsibility but it was something that I took to immediately and thoroughly enjoyed.

At this point, Willie had identified that I had potential and I was capable of running a store for him. He was planning to open a store on Henry Street and he offered me the position to open and run the store for him. The money he was offering at the time would have been way above what I would have been earning as it was. While it was very tempting, and would have been the easy option to take to walk into a well paid job but at the time, I felt that there would be a ceiling and that I would go so far and that would be it. Despite being delighted and very grateful, I declined the offer. I felt that, whilst this was a great confidence boost at the time, I had more to offer and I didn't want to pigeonhole myself into something that I wouldn't be able to take any further. This was a first recognition of entrepreneurial spirit within me that even though I had been offered a good post within the retail industry, I knew there was more that I could do. I just had to position myself correctly. I had identified the entrepreneurial spirit inside of me and all I needed to do now was to identify the right opportunity. This re-enforced the decision to study at University. I felt I needed a course that had a broad business base from which I would be able upon as soon as I identified whatever niche I would happen upon.

One of the first things that I enjoyed about these early days of working in a business environment was people management and the pure barter, the wheeling and dealing, the 'doing a deal' on the purchasing side as much as the selling side. Chapters used to buy used books and used encyclopaedias and it was here that I first cut my teeth on the bartering side of the business, much of which would have been learnt from watching Willie. Moving forward from there to doing it myself and getting a thrill out of buying something at a particular price, getting a deal where the customer walks away happy, and then later selling the same item with a good margin added on. That was enjoyable and certainly whetted the appetite for more.

Another incident that happened around this time in my life, which I suppose was quite telling and was helped enlighten me as to the direction I should take in life, was that I sat the Garda entrance examination. As I mentioned earlier, my Dad was a civil servant, a Garda, and was due to retire shortly. The Gardai had not recruited for about 10 years and they started recruiting around the time that my Dad was due to retire. He encouraged me to

go and sit the exam. I agreed as I felt that I had nothing to lose by sitting the exam. I was then called in for an interview, in the first batch of potential new recruits. I went along for the interview and was offered a post. My Dad was thrilled, however, while I was happy to be chosen I realised that it was not for me and was not what I wanted to do. I thought that this would be a difficult discussion to have with my Dad. I did not want to follow the career that he had chosen. Initially I delayed the post for 6 months as I was re-sitting my leaving cert and finally when the second offer was sent and a decision had to be made either way, I said to Dad that it was not what I wanted to do, that there were other things that I wanted. Naturally, when he said that he fully understood, I was delighted. I think he was happy that I had been through the process and been offered the position, he was satisfied that I was mature enough to make my own decisions and glad that I had the choice to make for myself. So, he supported it fully and I was very grateful at the time. Indeed when I started the business he was a great help and support which was unexpected due to the background he had as a civil servant, in a secure regular paid employment. Again, I was very grateful for the faith that he had in me and his unswerving help and support.

By the time I was 18 and re-sitting my leaving cert I had pretty much decided my course in life. I wanted to start my own business. I believed that I was an entrepreneur who wanted to be rewarded for how good he was. That could never happen in “secure” paid employment. I felt that I had the capability to visualise something and apply the necessary skills and energy to make it happen. Some people would say that the entrepreneurial bug had bitten, I would say that it had emerged from within me. But I felt I had to lay some ground work first. I had decided to go to University and then hopefully set up a business of some shape or form after graduation.

The time spent in University was time well spent. I received a broad education in business. The course I studied touched on pretty much all the key functions in a business. Having this education in these areas gave me greater confidence when dealing with people at a later stage in life. I was able to converse quite confidently with bank managers, accountants and solicitors etc.

When in university I particularly enjoyed getting involved in all aspects of university life. I joined many of the clubs and societies, played football, helped set up a society that set up a business breakfast that promoted the course to the wider business community. I basically did as much as I could without compromising my studies.

### **1.3 State of Change: The American Experience.**

Having spent 4 years in college, I was about to leave one phase of my life and enter another. I had no idea of what I was going to do when I finished my exams. I decided to travel to America and spend the summer there before I made my mind up as to what I would do. I thought that it would be useful to expand my horizons before I got in to full time employment and have the time I could spend living abroad restricted.

When I arrived there I had my eyes and ears open looking out for opportunities. I was looking for something to spark a train of thought that would eventually lead to the setting up of a business. I had been on the look out for the few years I was in university for something wonderful that I could turn in to a multi million pound (as it was then) business. I had come across a few things that had caught my attention, but nothing that I thought was a sure fire hit. I had examined things like franchising sports shops back in these early days. I had looked at a dedicated Celtic F.C. shop. Many things had crossed my mind, but I knew I had not found the thing that would do it for me at this stage. I decided to go to America after my last year of university. Where better to go than to the land of opportunity to see something new. I felt that a lot of what takes off in America, tends to take off in Ireland / UK sometime after.

When I arrived in America, I got a job painting and decorating. This meant that I had spare time to look around and see what things were “taking off” in America and had not “happened” in Ireland / UK yet. One of the first things I came across was “Barney” the friendly Dinosaur. It was huge in the US and had not crossed the Atlantic at that stage. Barney was everywhere. I was wondering if there was any way that I would be able to get the rights to bring Barney to Ireland.

However, two things persuaded me against following this up. One was that I felt that perhaps it would be a fad (very successful fad as it turned out to be) and two, I had attended a birthday party for one of my young cousins and another of my cousins dressed up as



“Barney” and while most of the kids loved it, it scared the living daylights out of one of the kids there and he was screaming his little head off. I figured that there was probably easier ways of making money. Also, I figured that there would be no chance that I would be able to get the rights to distribute something like “Barney” having no track record in doing anything like that.

I spent some of my spare time wandering the streets of New York looking for inspiration. I found it in the most unusual place. I was living with some American cousins at the time and they had a 3 year old son who was just beginning to talk. The first words out of his mouth were “Sega” and “Genises” (the American version of the Sega Mega Drive). I remember saying to myself, “now, that is powerful”. Here was a 3 year old in America who would have been exposed to many differing forms of media and the thing that made the strongest impression on him was a video game manufacturer. I figured that I had better do a bit of research into this.

I had a vague knowledge of video gaming. I had played some video games as a young teenager. I had played the original “Pong”, which I suppose was the birth of video games. I had an Atari XL and had played games like “Defender” and “F1 racing” on it. I thoroughly enjoyed playing these games, but as I advanced through my teens, my interest in gaming waned. By the time I was going to America, I had read some articles in the newspapers about the boom in video gaming and the growth in the Sega Mega Drive and the Super Nintendo. Other than this I had no knowledge of video gaming prior to spotting my young cousin’s interest in the phenomenon.

I decided I would do some more research and went to visit some of the games retailers in New York. As I visited the stores, I noticed that, first of all there seemed to be a fair spread

of them in New York. There was certainly a much higher proliferation of them in the US than there was in Ireland. It was something that had only started to take off in Ireland. From what I can recall there was only 2 GAME stores and 1 Future Zone (which later became EB ) store in Ireland at the time. Some of the toy retailers were selling games as well. At the time, games were the preserve of the younger teenager. It was pre-dominantly young males in the 8 to 15 age group who were buying and playing video games at this stage.

The second thing I noticed was that there was a selection of used video games for sale in the shops. This really caught my interest. I had come from a background of book retailing and a very important part of the book retail operation I had been involved with was the buying and selling of used books. I had understood the model very early on and it made sense to me. I felt that I understood how to make money out of the buying and selling of used items. You were catering for an ever widening niche in the market place who were after a value proposition. It also tended to be heavy users who were the people who were most likely to trade books and buy used books as well.

I felt this could transfer to games, but I would need to do further research to be absolutely sure that it could apply. However, the first seeds were sown over the few weeks I spent in New York. Not only did I get the idea that I would take forward from America, I also noticed how they embraced entrepreneurialism. The stigma that may attach to you in Ireland for failing in a business did not seem to exist in America. Many people had failed several times in business before they eventually succeeded. All they needed was the will to continue and people supported them. This gave me more confidence to “have a go”. If you did not succeed, it was not the end of the world, you could try again.

As soon as the bug had bitten, I could not wait to get back to Ireland to begin my research in earnest. For the first time, I was truly excited that I was on the crest of something special. Only time, research and a lot of hard work would tell.

#### **1.4 Entrepreneurial Culture.**

As soon as I arrived back from America, I faced my first big challenge. I had to tell people of what my intentions were. There was an expectation that now as I had finished third level education that I would start out on my career in my chosen field. I knew that I would need at least 6 months to carry out the research I felt was needed before I could start. This was the first step and it took a lot of courage. In Ireland there is almost this lack of belief when someone says that they are going to start their own business, especially someone as young as I was at this point. I think the biggest fear I had at the time was telling my parents and family. I had been brought up in an environment whereby we were encouraged by our parents to get a good civil service job with a pension.

I had always said to them that this was not what I had wanted. I had even turned down a job with the Gardai when I was 18. That was difficult as my father would have been so happy for me to take the job as he was retiring from the Gardai himself at the time. He was proudly telling people, “one in, one out”. But he accepted my decision. However, this was now moving to the next stage, it was making public my intentions to “go it alone”. This would really test peoples’ beliefs in me. Had they always thought that I was just talking about starting a business and that I would not have the courage to actually go ahead and do it? Did they think that I would simply talk about it and then slip into a nice safe job at the first opportunity?

When I just sort of slipped it out in conversation that I was planning to do some research into starting up my own business, they were immediately very supportive.....and it was genuine! This gave me great encouragement and I set about spreading the word a bit more to see other people’s reactions would be. Looking back, I don’t think that any negative reaction from anyone would have stopped me from proceeding, but getting positive reactions was certainly greatly encouraging.

Naturally, not everyone was totally supportive. I remember one day when I was working on some research, someone who was fairly close to me said, “Ah I see that you are still

playing your little game”, meaning that it was not to be taken seriously. It was not meant in a malicious manner, but certainly did show a certain disbelief that I seemed to be dead serious about what I was doing. Naturally, this put a bit more fire in my belly. I suppose it is the “oh, a game is it? I will show you”, approach.

One of the most difficult things during this period was fielding questions from people outside of my immediate family and friends about what I was doing. When people asked, I would tell them that I was doing some research into the possibility of setting up my own business. You could almost see on some people’s faces the “oh really”, “the useless bum can’t get a job” look. It did not bother me too much as these were people I was not too bothered about anyway, but it did show me that people had this expectation level and almost wanted to pigeon hole you as soon as you left college. There was this culture in Ireland that if you are not gainfully employed, and say that you are looking to start up your business, people can view that in the light that you are only doing this because you can’t get a job. People almost try to knock you back in the early stages of your development, but as soon as it starts to look like you will be a success, they row in behind you and tell you what a great lad, (or lassie) you are.

This is something that will start from day one in setting up a business and will travel down the road with you for a long time. I think this is one of the most difficult things for young entrepreneurs to deal with in the early stages. They are working hard, but are not necessarily showing the signs of the fruits of their success compared to other people of a similar demographic who are gainfully employed and are showing material signs of progress and success. Young entrepreneurs need to be patient and not fall into the trap of taking money out of the business to satisfy the image of success that people look for, and stifle the growth of their business as a result. It is important not to allow other peoples perceptions of what they think you should be doing, colour your judgement on what is best for the business and its growth. You need to be single minded and strong in your beliefs as to what is right as to what is “expected” of you.

Speaking of expectations, I had now floated the idea of setting up my own business. I had created an expectation level with other people, but more importantly, for myself. What were my expectation levels at this point?

I suppose, when I started off the business, I certainly had no intention of creating a business that would change the world. I was not going to invent anything, or discover a formula that would be ground breaking in the world of medicine. What I saw myself doing was taking a tried and trusted formula, (retail) and refining it and applying it to a developing market (computer games). I would use the limited resources available to me and compensate by using the skills I had been born with and learned over the years to plant a seed and help it grow.

There was certainly risk involved as there were no guarantees that it would work. We did have the attitude at the beginning that we had very little so we had very little to lose. The main things we would lose were the small amount of money we had, our pride and respect of our family and friends. Ireland is a very unforgiving environment for business failure. There are very few people in Ireland who have tasted business failure and returned to the fray. That is why I have a lot of respect for the likes of Dennis O' Brien. He had 2 or 3 businesses which flopped before he had the huge success that was ESAT Digiphone. Indeed the story goes that he was a few hours from another spectacular failure when he got the final ok that he had the licence for the 2<sup>nd</sup> mobile licence in Ireland which allowed him move forward to the final stages that eventually led to his success.

We had the mindset that failure was not an option as we did not want to travel the unpleasant road of being a business failure in Ireland. We had many people throwing statistics at us like 80% of all business start ups fail within the first 5 years. Fine, we said, we will just have to make sure that we are part of the successful 20% then.

I suppose that our expectation levels were that we would give the business as good a go as we could for 3 to 5 years and see where we were at that point. I think we had hoped that after this period if we had been able to make some commercial property purchases of some

level and had a shop or two that perhaps we could sell off and get some money for, we would have been happy with this and classify that as a success for us. That is not to say that we didn't have bigger dreams and hopes, but we did not want to get carried away. However when people asked us what we hoped for, we would tell them that we were striving for world domination and that we wanted to see our brand on all world currencies. People could read from that whatever they wanted. If they were looking for us to have hunger and ambition, this satisfied them. If they wanted to be sure we were taking a light hearted approach to the business, this also satisfied these people. I think we learned from an early date to keep our cards fairly close to our chests and not let too many people know too much about our business or our expectations. We had a repertoire of answers that would keep people satisfied without telling them too much. While we were deadly serious about our business and how we ran it, we sometimes put up a light hearted façade to allow us a "row back" position if things did not work out. There is nothing worse than over promising and under delivering. There were times when you did have to "sell" the idea to people and up their expectations. But these people were the select few like bankers and other interested parties such as suppliers etc. However, even with these people, while it is important to sound confident in what you can and will deliver, it is equally important not to oversell the proposition and under deliver.

I think that this was the most important lesson I learned at this very early stage of development when I was announcing my plans to set up a business, move people slowly along the learning curve and keep the expectations levels reasonable both privately and publicly. Under promise and over deliver. I would suggest that the smart entrepreneurs out there tend to hold back about the expectations of their businesses. They know that if they promise too much too soon and don't deliver, they lose credibility, where as if they undersell and over deliver, they get a slap on the back for that and people will be more inclined to have faith in them the next time they say something. An entrepreneur's credibility is very important.

## **1.5 Starting the Business: Going it Alone or Partnership?**

As soon as I had made the decision to start the research to set up my own business and told people publicly about my intentions, the groundwork had been set. From here I had another important decision to make, whether to go it alone and set up my own business or was I going to try and find a business partner to share the joys, happiness and difficulties of setting up a business as I moved forward. I thought long and hard about this because it was a big decision to make and it was going to set the course for my foreseeable future and a lot of thought and effort had to go into making this decision. I suppose each area had its own advantages and disadvantages. Going it alone would mean that I would always be my own boss, that I would never have to consult with anybody else or compromise with anyone else, I would be making my own decisions and would live or die by those decisions.

Going forward with a business partner meant that, obviously, I would have to consult him / her. There would have to be a decision making process drawn up if a situation arose in which we could not agree. How would we make a decision going forward? There was also the social element, in that I would be sharing the good times and the bad times with somebody, sharing the workload, sharing the responsibility but also the implications of sharing the rewards. Having given this great thought, I decided that I felt that I would enjoy it more if I had a business partner on board to share things with. I had always noticed growing up that I was happier and ultimately more successful when working as part of a team, in which I would be a leader or influencer on the team rather than doing things stand alone, purely on my own. I think part of it was down to my desire for it to be a social activity as well as a business activity. I wanted it to be an experience that I would enjoy.

I was going to be spending a minimum of 40 hours a week in the workplace and the thought of standing in a shop initially on my own did not appeal to me. It would be a very lonely existence and it would be perhaps demoralising and de-motivating at that early stage. I therefore decided that I would look for somebody to share the experience with and also having another opinion, another person to bounce ideas off, appealed to me. As the saying goes, two heads are better than one.

Now that the decision was taken to find someone, the next challenge was to find the right person. This was a very difficult thing to do because it was not the sort of job you could put in the classified section of a newspaper – “fellow entrepreneur wanted”, “low pay and hard work for the first few years guaranteed”. “No guarantee of success”. I also needed to find somebody whose characteristics would complement mine. I did not need another ‘me’ necessarily, because obviously I have my strengths and weaknesses and I needed somebody who would perhaps shore up my weaknesses and that the synergy created between us would be stronger than the energy we would create separately. So, to set about the search I drew up a short list of the people I thought might be capable of these requirements and, just through the course of conversations over coffee, I put the idea out to people of what I was planning to do. However, I didn’t want to invite anyone in directly. I wanted the person who was going to join me to come on board out of their own suggestion. I wanted the idea to have come from them.

This was quite a difficult thing to do, to advertise that I was looking for somebody without making it too obvious. There were several people with whom I chatted who thought that the idea was very interesting but none of them took the bait so to speak. They already had their own things going on and what it boiled down to was that they didn’t have the entrepreneurial vision or will to seize the opportunity when it was presented to them. This was the case for several people until I was sitting down one day with Mick Finucane who is a friend of mine that I had grown up with. He had been working in England and was now back in Ireland starting to work with an accountancy practice.

We had been good friends growing up from the age of 12. There was a healthy respect there for each other. We got on well. We never had any major disagreements and had had some good times growing up together. When I outlined the idea to him, it turned out that he, at his current employment, was working on a project for someone else that had certain parallels and they had decided that they were not going to proceed with the project. At this stage Mick had figured that it was something that he could take a different angle on and possibly develop as his own business. As I was talking to him, he outlined his plan to me



and I suggested that we could possibly do something together initially, share overheads, etc. and floated the idea like that.

Mick thought about it and agreed it would make sense to share the initial expenditure, ie share premises, etc. As conversations went on, we figured that the games idea that I had, to operate out of a retail unit, had more potential. We agreed that perhaps we should put a joint plan together and test that. We agreed to take this forward together. We then had to structure it properly, I proposed that initially, as the idea had been predominantly mine, I would take 60% of the business and Mick would take 40% but if after 12 to 24 months, if things had worked out well, that I would hand him 10% of the business and we would be 50 / 50 partners.

This in itself would lead to a problem in that if there was a case where we couldn't agree on one particular item we needed a decision making process so that should this could be overcome. Proper guidelines had to be set. We agreed that should this situation arise and we could not agree, that I would have the deciding vote. This policy is still in place and in our 10 years of business partnership, I have never had to enforce it. However, I feel that the fact that it was in place before we started out, that we both knew that if we couldn't agree, there was a process to make a decision, meant that we were both reassured that business would move forward, even at a difficult juncture whereby we disagreed on something. It meant that during the times when we did disagree about issues, which I think is healthy, one of us could concede a bit of space to the other, sometimes it would be me, sometimes it would be Mick. This is the way it worked and it worked very successfully.

The fact that Mick and I had grown up together as friends was both a positive and a negative. It presented in the positive that I knew him very well, I knew his personality, knew his character, knew his family background, knew that his family had some entrepreneurial experience. His father and mother had run their own business for a number of years, so I knew his experience in that and that they would be aware of how difficult it could be in the early days of running a business and have the necessary family support.

The negatives, I suppose, is the same as with any relationship that changes, one day you are friends enjoying yourself and then you become business partners. There would always be a possibility of a falling out as this is such a big relationship change and things are very different. This is something that we had to be very aware of from an early stage. However, I think that the fact that we both approached the business with a very positive framework, within a framework that we were going to work hard but work hard to enjoy it as well, worked very much in our favour. We decided that if we were going to spend a lot of time together, a lot of time together in the business, we may as well try to enjoy it as best we can. We both made a very conscious effort to make it a very fun environment and that is something that had stayed with us as we have developed the company.

We have made every effort to pass this on down the chain as the company has developed and this has been one of the major reasons of our success to include the fun element in our business. This atmosphere has been a factor in our retention of our people. We have a very low turnover of staff and one of the key things has been the very positive energy within the organisation which we worked hard to develop from day one. One of the strange things that happened in the partnership was that Mick was the one with the finance and accounting background and I was the one with the marketing background, yet when we set up the business I was the one gravitating towards the finance side and looking after the accounts and Mick was the one that gravitated towards the marketing of the business. This actually worked very well. When Mick was doing marketing promotions, because I had a marketing background, I was quite happy and comfortable for him to proceed as I understood what he was doing. The same level of understanding came from Mick in relation to the finance side of the business that I gravitated towards. This was very unusual, however, it worked very well.

One of the more difficult things to deal with when we first started was that we were seeing each other 7 days a week. As there were only 2 of us working in a retail unit of only 200 sq.ft. with a behind the counter space that was very tight. We were also socialising together in the evening with different friends that we both knew. This amount of time spent with

one person could strain any relationship but we were very lucky that we had a good strong friendship and we managed to deal with this part of the set up of the business successfully.

In the first year of the business partnership there were times when we would disagree on certain things and we had a few heated discussions. Fortunately, they were resolved there and then and then forgotten about. Neither of us held a grudge or returned to old problems once they have been resolved. once a decision was made that was the end of it.

### **1.6 Researching the Business Idea.**

Now that I had found my business partner and everything was agreed from a structural point of view, the next stage was to go ahead and carry out some research. We realised that neither of us knew anything about the games industry. We decided to do some market research and industry research. To begin the industry research we found every trade paper, magazine, newspaper clipping we could get our hands on. We poured over these bits of information to begin to build up background knowledge. The industry research also consisted partly of Mick going to a trade show in London. The reason behind Mick going was that he had lived over there for a while and he had somebody to stay with for a few days as we certainly would not have been able to afford to stay in hotels at that stage. What we decided was for Mick to go to a retailer who was doing something similar to what we wanted to do in London. He introduced himself and told the retailer what we were planning to do. Luckily, he was very accommodating and allowed Mick to sit in his shop for a couple of days to observe and learn. It was very difficult to get information on the games industry in Ireland as nobody knew the sizes, the market share, etc for Ireland. Whereas, in the US and UK and Japan it was far easier to quantify. From this information we had to estimate what the Irish market was worth.

We did some market research with consumers as well. This initially started as a focus group research with students who I was teaching some leaving mathematics to. I got these students in one day after their lessons and sat down with them for half an hour and asked them some questions that I felt were relevant to the research at the time. This proved useful as it brought up some points that I was not aware of and also encouraged me to take things

forward. From this we now drew up a list of questions that we now felt we needed a quantitative response to. I visited the College of Marketing and Design and organised with the marketing research lecturer there to get a team of students to go out and do some field research. A team was put together and we promised to pay them approximately £200 at the time which was fairly cheap for market research standards, but the students were delighted because it was tied in with a project that they had to do for college anyway. The only difference was that Mick and I were co-ordinating it and it was a real project rather than a hypothetical situation.

One of the important elements was that we ourselves joined in with the field research team and went out with them to A) make sure that the job was being done, that they were knocking on the doors and talking to people on the street and didn't just sit in the University canteen and fill in the forms themselves and B) we felt it was important that we got face to face with potential consumers, ask questions, hear the replies and if there was anything that we discovered on the doorsteps we could probe a little deeper and ask further questions to get some further information. We put together a field research team of 7 or 8 of us in total. We carried out research of about 200 people and we had a structured questionnaire properly coded that we were able to input into a market research programme to generate results. I think one of the dangers here for entrepreneurs is the tendency to try to structure the research and the questionnaire in such a way that it will give them the answers that they want to hear.

It was very important at this stage that we took a step back and do it as independently as possible, with somebody independent to review it before you actually undertake the research. Otherwise, there is always the possibility that you will fall into the trap of generating the answers to the questions you are actually trying to get and this can be a fatal mistake in the early development stages of any business. The main part of the research that we were trying to find out was – who were the main buyers of games, what age were they, was there a difference between the people who played the games and the people who bought the games i.e. were kids playing the games and the parents buying them on the

moral blackmail of the kids. We also wanted to know if the people who own the games and make the decision on the purchase – would they then buy used games and would they sell their games back to the shop or trade them in to buy other games.

The results that we got from this research was very encouraging and certainly pointed us in the right direction, that yes the target market was pretty much 8 – 15 years old, predominantly male and that yes they were the main players of games, they did buy some games themselves but parents bought a lot of games for children for Christmas, birthdays, communions, etc. We did understand at this stage of the market development that the parent was quite important, so if the parent was going to buy used computer games they were going to be concerned about reliability that the game will work, etc. So this is one of the things we planned to do very early on. We had a process of educating consumers in Ireland about the reliability of used computer games. We pioneered the idea in Ireland.

The research had two main functions in our eyes:-

1. To reassure us that what we believed to be the case was in fact the case and
2. To provide us with concrete market research so that we could demonstrate to the banks that we had researched the project fully before approaching them.

People who were not familiar with the industry would feel somewhat more reassured if the results of the research were validated by the College of Marketing and Design.

Some of the other research that we did was general industry research within Ireland. We focussed on who were the key players in Ireland at the time, i.e. predominantly Game, Virgin Megastores, Smyths Toys and a distributor called DMC. We arranged to meet representatives of every one of these and approached them under the guise of doing some market research for a third level college project. As we discussed things with them, and even with the limited knowledge that we had at the time we discovered that some of the key players in the industry in Ireland knew probably less than we did at this point, which reassured us that further developing our knowledge would put us in a stronger, more informed position than the key players at the time.

It also encouraged us that, if people who apparently knew so little about the industry were running the industry relatively successfully in Ireland that if we got the right information and the right structures together that we would be in a strong position to overtake these people in time. One of the important points to note is that while doing research is absolutely critical and a very, very important part of any business plan development, at the end of the day it is your own gut feeling which should drive you the most. This is absolutely vital and it is something that you either have or haven't got, the knowledge that deep down that what you plan to do is feasible and workable and that all it will take is hard work and a lot effort to execute what you plan to do. At the end of the day research can only validate some gut feelings that you have to an extent, to a level of the sample that you take and sometimes it can even lead you in the wrong direction and put you off. At the end of the day, common sense and gut feelings should prevail unless the research would indicate very strongly to the opposite.

## **1.7 The Business Plan.**

The next stage, after having the research done and more or less validating our gut feeling and instinct, was to develop a business plan. The purpose of the business plan was obviously two fold:-

1. To formulate on paper, clearly, what direction we wanted to go in. It can be quite difficult at times to come up with an idea and then put it down on paper in a clear, concise and coherent format. I think it is only when you put it down on paper that sometimes some of the weaknesses that you might not have been aware of become clear and it also forces you to think things through properly.
2. Secondly, and just as important, the business plan is obviously used for funding from the Bank or any other potential funding institution.

At this stage, we only had IR£3,000 of our own money that we had managed to get together to invest in the business. Obviously, this was not going to be anywhere near enough. We were very lucky that our parents then offered us £3,000 between us to bring it up to £6,000. When we sat down and worked out what we needed, we felt we would need a bank overdraft facility of a further £12,000 to see us through the first 12 months. Obviously, getting this money is easier said than done. To get the money we would need the business plan formulated and then present it and deliver it to a bank / funding institution and hopefully be in a position where the bank / funding institution would offer us the required funding.

Clearly, Michael and I had never put together a business plan before so we had to do some research in to how to structure a business plan. Again, it was back to the library, consulting contacts, and relying on friends who may be able to help us out. From that we got several examples of business plans and a good idea of what banks and potential funding institutions would typically look for in a proposal. From all of these we extracted what we felt would be most relevant to us and from recollection the key areas for us were, an executive summary, an industry analysis, a competitor analysis, strengths weaknesses opportunities

and threats, analysis of ourselves and the business and a risk analysis. This last item, the risk analysis, is something we felt was very important as it showed to the banks or financial institutions that we were aware of the risks and that we had a fall back or worst case scenario plan.

It also incorporated Cash Flow projections, Profit & Loss projections and Balance Sheet projections for three years. The document took approximately 4 to 6 weeks to prepare fully and there were many drafts and re-drafts done. Things were put in, taken out, swapped and changed before we eventually came up with a version that we felt was presentable. As soon as we had this, we presented it to some independent people for review. These were people whose opinions and analysis were valued by us. We received some very good feedback and a lot of positive changes were made in the time soon after this. To decide on the right approach and tone for the business plan was quite difficult because it is quite a difficult thing to do to mix confidence and enthusiasm and not confuse it with over exuberance and 'cockiness'. One thing we had to bear in mind when pitching to a financial institution was that they were quite conservative, particularly at the time when we had very little capital, no experience, no track record and we were planning to operate in an industry that the people who we would be pitching to would know little or nothing about and would be inclined to look upon as a fad. We, therefore, tried to tone down our enthusiasm, our expectations and demonstrate a level of conservatism which, I think now looking back at the plan, was the right approach and the right mixture to have. It certainly turned out to be the right document to present to the people we presented to at the time.

One of the best things from the experience of writing the business plan was the fact that we were forced to sit down and do cash flow projections, predict the profit and loss, and the balance sheet. This forced us to question how many units we had to sell at what price on any given day. We had to examine if that was viable, could we realistically achieve that or were we setting ourselves expectations which were not achievable. It also forced us to do an in-depth industry analysis and an in-depth competitor analysis. The more we proceeded through the business plan, the more our confidence grew. We were on the right track, we



knew what we were doing, we knew what we were facing into. We knew what we were up against and that we had the ability and the correct approach to do what we planned.

A useful lesson here was going through the business plan ourselves, developing it to a level that we were happy with and then presenting it to the people whose opinions we trusted. The range of people we presented it to were, an academic, an accountant and an experienced business practitioner. The three of them had quite different viewpoints on it, but at the end of the day, with their suggestions taken on board, it all merged into a document that we were happy to present to financial institutions as a statement of what our plan was, what our intentions were and how we planned to execute it. We felt that these people were the people who we knew and were in a position to make an important contribution to our plan as they had relevant experience or a proven track record in our eyes. Also, we knew them before we started out on this venture and we know they would be honest in their opinions with us.

There were many late nights put in putting together the business plan, but as I said, it was done in what would be considered as a relatively concise period of 4 – 6 weeks. It was fairly intensive work, however, we produced a document that we were very happy with at the end and it was a document that we referred back to regularly even up to 3 years into the business. It was up on a shelf, but we would take it down every now and then, dust it off and review it just to make sure that we were keeping our feet on the ground and keeping to the core, the basics, that we had foreseen in the early days. One of the key things to point out here was the vision that was projected through the business plan and how that vision today still is very much at the core of our business.

We are ten years on now, but the core vision of the business plan was that we would be predominantly involved in the business of buying and selling used computer games. We also knew we would be selling new computer games, but would be using them as a hook to get in our used games, which was the core of our business. These ideas are still very dear to our hearts. Back then, we also predicted that the video game “fad”, as some people classified it as then, would grow from being predominantly kids playing consoles in their

bedrooms to being a mass market medium and that all the various forms or mediums of entertainment such as music, video, dvd, pc, gaming, etc. would all converge to one “centralised home entertainment unit”. We had a vision of the future that we believed strongly in and one that we could play an important part in, in Ireland.

Back in 1994, when this plan was done, we had no idea as to what that would be. There were some early consoles, the Phillips CDI for example, which was beginning to approach this “centralised home entertainment unit” idea. We believed strongly at the time that this was the way the market would go and to this day, 10 years on, the market is still heading in that direction. Playstation 2 and X-Box are very much home entertainment units but we still feel that they still had not quite satisfied the vision that we would have foreseen 10 years ago. The Xbox 360 and the Playstation 3 are now finally starting to reach the levels we visualised 10 years ago. The market is definitely now mass market or heading more mass market than it would have been 10 years ago and we are probably more involved in the used computer games market now than we were 10 years ago. So while the plan is 10 years old a lot of the core fundamentals in it are still part of our core business today.

In summary, the core fundamental principles of a business plan should form the essence of the business and while things will obviously change over the years the fundamentals and core values should not change. Whatever business plan you start out with you should be able to review it over the years and your business should not look dramatically different to the vision that you foresaw in that early business plan.

I believe that it is important to have a core vision that stops you from wavering off your intended path when things get rough which they inevitably will do and you may think of changing direction. The disadvantage of this is that you may change direction several times and end up being directionless which I believe is a reason why many businesses fail. Obviously you have to be sure that your core vision is correct and you are not running down a blind alley, but if you are on the right track you should stick to it.

## **1.8 Funding the Business.**

Now that we had our sleek, refined, business plan together, the next part was to go and deliver it to financial institutions and sell the idea to them so that we would be able to get our overdraft facility in place. The first thing we did was to draw up a target list of people who we wanted to speak to and sell the idea to. The first ones were the banks, the second were any other institutions that might help us. We spent time doing research into Enterprise Ireland (EI) and various other organisations. It transpired that Enterprise Ireland was not interested in even talking to someone like us because we were involved in retail.

At that particular time you had to be involved in manufacturing before EI would be interested. We did discover one or two other organisations who did help. Finglas Partnership provided us with a low interest loan to be repaid over a 3 year period. It was for approximately €3,000. Another was First Step, who I will revisit and discuss later on. The main targets were the banks. We reviewed all the main financial institutions, AIB, Bank of Ireland, NIB, etc. We chose NIB because they were the smaller operation and we believed they would be the most likely to sit down and listen to a small start up operation like ourselves. We approached the local branch, with whom Mick's mother and father had a very good relationship with and organised a meeting with the branch manager.

We went in and gave a short presentation and left him with a copy of our business plan. We told him what our ideas were and what we were planning to do. The bank manager spent a week reading and reviewing it and called us back in for a more in depth analysis of it, which we duly went through. At the time, the bank manager would have been in his late 40's to early 50's. He would have felt that he was aware of computer games because his children had computer games. He seemed to be of the opinion that it would be a fad, something similar to Roller Blades and Skate Boards, which had come and gone over various years and then disappeared. We had to try and reassure him that this was something that had a very strong future. We had the likes of Sony and Microsoft, who were about to enter the market, supporting the industry, so there was a huge amount of potential growth in the industry going forward and there was no way that companies such

as these were going to invest the millions if not billions of dollars if they felt that it was going to be a fad.

The very fact that the companies mentioned above were going to invest vast amounts of money, showed the faith these industry leaders had in the industry. But again, trying to reassure somebody in the position of a bank manager was quite difficult. Following the interview we felt quite confident that everything was going well, the plan had been well received, we had been able to defend every criticism or objection to the plan and so we felt quite happy that it was going to proceed. Obviously, we were still nervous and weren't sure for certain that it would. We were called back for a third time for the results of the jury and the manager informed us that he had sent it through to the business section of National Irish Bank who had read it and thought it was very well put together and a good plan, however, they had a concern that it could be faddish so while they thought it was an excellent plan, they would be prepared to lend us the money for the overdraft facility, but there would be some conditions. Naturally, we sat down with them to go over the conditions. The main condition was that our parents would have to lodge the equivalent amount of money to the bank with pre-signed withdrawal slips so that if we defaulted, our parents money would be taken to cover the monies that we would potentially default upon. Obviously, we were shocked and disappointed and initially we felt that there was no point and that they were not giving us anything. All they were doing was taking our parents money and loaning it back to us.

Before we could agree to anything we had to then go and speak with our parents, so not only had they already offered us £3,000 between them, they would also have to come up with £6,000 each to deposit in the bank and present the bank with pre-signed withdrawal slips. This was their money that we could potentially lose. This was, we felt, a big undertaking for them, particularly in my case, as I felt it might just be that step too far for my parents and I was concerned that we would not get the support. I certainly would not have held this against them because I could understand their point of view if they had not offered this support. However, when we asked them, to our surprise and delight they immediately said "yes, no problem, if you need it, you need it". They immediately gave us

the money to lodge in the bank. Obviously, they asked us to be careful and try not to lose it, but if it didn't work out and we did lose, it wasn't the end of the world.

Again, without the support, both morally and financially of our parents, we would have had great difficulty getting this project off the ground. The money was lodged in the bank and the pre-signed withdrawal slips were signed and the facility set up. Luckily, we had enough common sense at that stage of our lives that even though the bank weren't actually giving us anything we had to go along with what they suggested in order to build a relationship so that when the time came they would have a level of confidence in us because we would have traded successfully for a year or two years. It showed a level of maturity and common sense, as we could have stormed out and said "no, no way, no deal", but this would not have moved us forward in any shape or form. Again, it is important that common sense prevails and that one does not let one's emotions rule one's head. One must be objective in one's approach.

The second group of people we approached were Finglas Partnership and we had a very pleasant experience there. The gentleman we dealt with there was very professional. He was delighted to see somebody from an area such as Finglas come forward with a proposal. We asked for a IR£3,000 low interest loan to be repaid over 3 years. The money was given, very little guarantees had to be signed and a small amount of money was repaid every month until the debt was cleared. It was something we were very grateful of and would say they were an important part of the development and we were very grateful to the Finglas Partnership.

The third institution or group of people we approached were people called First Step. They were set up as supposedly the lender of last resort – which was the tag line they used at the time. If you had approached other institutions and they had not given you any support then the idea was that First Step, who were supported by Norma Smurfit, (ex wife of Michael Smurfit), would lend you money and you would repay them over a period of time. We met with them and gave them the presentation and our business plan and felt it went very well. We left them with a copy of the plan for them to review. We returned a week later. The

guy looked at the plan and tried to pick as many holes as he possibly could. We defended them and pointed out certain things that he was not aware of. At the end of the interview he basically threw the report back at us and told us there was no way we would do what we were projecting to do. We were projecting to do a little over £200,000 in the first year and he laughed at us and said we wouldn't even make £100,000 in the first year and there was no way they were going to give us any funding or support. He told us to be on our way. We left the meeting shocked, upset and hugely disappointed. That evening we went for a pint to have a chat about it. We took another look at the project, thought about it and felt that, no – he was wrong, what we are saying is right, we know we are heading in the right direction, we know we are doing the right thing – he is wrong and we will prove it. It gave us great determination to take a step forward – so any time we came up against any negativity we managed to take it on board and turn it into positive energy and use it as a catalyst for growth.

The final people that we approached were the Project Development Centre which is an offshoot of the DIT. It was an organisation I wasn't aware of as an option until the head of the College of Marketing and Design recommended to me that I approach them. He felt that the business idea was very strong and that it would be ideal as an incubator unit project for us to develop with them. We sent in our proposal and went through the first round of interview. That went very well and we were called to a second round of interviews in which the Director of the programme was present. On the day that we were to do the presentation to him, I had unfortunately contracted Laryngitis and could barely talk so when we did the presentation it was a bit disjointed and a bit awkward. I don't think we transmitted properly what we were about. Initially, we weren't offered a place on this programme but upon hearing of the situation, the Head of the College of Marketing, who had previously recommended it, couldn't believe the result of the interview and he contacted the Director of the PDC and strongly recommend that they put us forward for the programme. A place then became available and we were taken onto the programme, which provided us with a years incubation facilities, office facilities, etc. But the most important thing it did for us was to provide us access to other budding entrepreneurs, other like

mindful people who, as we did modules, could sit with us and discuss similar experiences and help each other out in a lot of ways.

This I found extremely beneficial because when you are starting up a business it can at times be very frustrating and difficult and it is very difficult to explain and discuss this with people who haven't experienced it. When discussing things with these people, it was encouraging and beneficial to know that they were going through the same struggles that you were, coming up against the same problems and learning from the experience of how they resolved their problems. I found this hugely beneficial and very enjoyable. I was very glad and grateful to have got the place on this incubation programme. I think it was one of the key turning points in the early years, that we had this facility, access to mentors and facilitators, but more importantly access to other entrepreneurs to share common experiences with.

### **1.9 Incorporation.**

After months of research, talking, debating, arguing and prophesising, it was finally time to put our money where our mouths were. We had incorporated Gamesworld Ltd on March 31<sup>st</sup> 1994 and we were now registered and ready to go. We had (eventually) got the overdraft from the bank, and had our own money and the money loaned to us by our parents sitting in a bank account owned by the separate legal entity called Gamesworld Ltd. It was time to move forward.

Just one point here before I move on. I think it is very important to highlight here the importance of separating the company from the directors / shareholders at this point. I think it is vital from the get go that people treat the company's money completely and utterly separately from their private monies. You may laugh at the very notion of this, but I have seen too many times where this is not done. Inevitably, it is these companies that run into trouble at a later stage. There has to be clear and strict separation of the two entities. Otherwise, the company does not get the required respect from the shareholders and they sometimes "dip" into the companies funds to fund their private lives. Their attitude is "well I / we own the company". Yes you may do, but the company owns the company's funds

and it has to stay that way. We implemented this very strictly from day one and as we developed, it became even more obvious to us that this was indeed the correct approach as people began to inspect the business from the outside.

Anyway, back to the beginning. As I was saying, we had everything in place. However we had no place to trade from, no stock and no other assets to help in the running of the business. The first step was to locate a premises. As I mentioned previously, I worked in Chapters for a William Kinsella. He had just opened a big shop in Middle Abbey St. across from Arnotts. It was a huge premises and he was not in a position to stock it out fully at that point. I approached him and asked him would he rent us about 200 sq. ft. at the back of this shop. He kindly agreed. The rent was agreed at a nominal amount initially, that would increase as our business grew. It was a week by week agreement that meant we were not tied in to a long lease, but did not have security of tenure either, but that was a risk we were willing to take at this point.

The designated space was right down at the back of a long shop that was better known for selling books and used music CD's. Not an ideal location to start from as we lacked frontage and presence, but we had little options here so we had to go with what we had. We felt that the positives were that it was located close to Arnotts, so we had a reference point for people looking for us and Middle Abbey St was a street with high footfall due to the bus termini that were located there at the time. It was a start.

To fit out the shop, we got some old shelving that Chapters were not using and altered it to suit our needs. We scoured the Buy and Sell magazine for old shop furniture and managed to pick up a second hand counter from a guy closing down a video shop. We were ripped off on that purchase, but we learned a lesson! The counter looked ok when we collected it, but when we tried to assemble it, it was quite flimsy and we had to get help from fathers and uncles to make it sturdy by Hilti gunning it to the floor. It eventually stood solid, and indeed lasted for a good few years due to good workmanship from family. The next time we bought furniture for the shop, we were much more careful!



All we needed now was stock to stock the shop so we had something to sell. We did not have much money to buy stock and we knew little or nothing about what we should be buying. Not a great position to be starting off in really, but we did not let it deter us. During our research we came across a book that tells you the approximate prices of all games. It told us what they were selling at new, what we should pay for used copies of them and what we should then be selling them for. This was a solid start to start from. We rang up and ordered a copy, but because we were new, it was cash on delivery, or cash before delivery. We had to send a bank draft for the book before they would post it to us.

While we were waiting for this book, we searched the Buy and Sell magazine looking for used games and managed to get some, but no where near enough. We then got the phonebook out and started ringing video shops out of the blue to see if they would sell off any ex-rental games. Luckily enough we managed to come across one guy who was shutting down a games rental shop that he was running. He said he would be interested in selling the whole lot to us if we could agree a price. He wanted COD as well, (surprise surprise). The only potential problem here was that he was based in Northern Ireland. We were paranoid about going to the North with cash to meet a guy we know nothing about. But what choice had we? None.

To further complicate things for us, we were going to be wholly dependent on the book that was coming in the post for guidance on what we should pay for the stock. We would not have a clue otherwise. The book had not arrived by the time we were due to leave. Panic was starting to set in. After much chasing, we located where it was and had to drive out to collect it. Things were not starting out too well.

We purchased our bank drafts made out to the guy we would be purchasing the games from so that if anything went wrong, we would have some level of come back. We got a loan of my father's trailer and car and headed North. When we arrived in the place where the shop was, it was in a staunch loyalist area with British flags and the Red Hand of Ulster flying everywhere. Here we were with an Irish registered car, broad Irish accents, looking to meet a guy we know nothing about in what would normally be a no-go area for us. We stopped

and looked at each other before we entered the premises where he was located. There was no way back from here. In we went with our hearts in our mouths.

Thank God, all our worry was in vain. The guy turned out to be a really nice guy and within an hour we had struck a deal for the stock. Not only that, we purchased his fax, storage cases and pretty much everything else that was not nailed down. When it came to paying, he took one look at the drafts and said that he would not let the stock go until we accompanied him to the bank to make sure the funds cleared. While we assured him that there was no need for this, he politely insisted and we agreed. Another lesson learned from a more experienced business man, .....trust no one!

We loaded up and set off back home. We were on tenterhooks until we got back to Dublin safe and sound. We were worried about being hi-jacked or something equally bad happening before we got started. If anything had of happened to that consignment, we were out of business before we even started. Luckily enough we got it all back home safely and were now ready to set up shop for real.

The first few days in the shop were spent arranging things, cleaning and pricing. After the first few days we actually had some stock out on the shelves and started trading, very slowly at first. The foot fall in the Chapters itself was ok and some people were wandering down towards where we were. As they came down, we would tell them what we were about and some people expressed interest. Slowly but surely, people started buying games and trading in games with us. The first few weeks we were more interested in encouraging people to bring in their old games and trade them in or sell them to us as our shelves looked far from full and we did not want to start any big marketing push until we had enough product on display. I will go into what we did to market the business on a very low budget in the next section. Again, slowly but surely the shelves did start to fill up and we were taking some money in to the till as well. Things looked promising. Indeed the first Saturday that we were half ready went very well for us and we took in a few hundred pounds that day. It was the day we sold our first used computer console. We sold it for £80 and it was a great feeling. We knew for sure that day that we were on the right track.

Then the first real mishap we had to deal with hit us by week 3. The shop where we were was broken in to and they stole about £1,000 worth of our stock. Bear in mind that this was approx 25% of our stock at this time. The shop had skylights that were about 20 ft off the ground, but it did not deter the thieves, they still managed to get in. We think it was some relation of Spiderman who broke in. We tried to follow their route, but it was death defying stuff. We did manage to get back some of the product as we went up on to the roof where they made their escape and found some of the product they had hidden to collect later that night or the following day. Luckily enough they did not manage to find any of the cash takings as they were well hidden.

We realised that this shop was too easy to penetrate and the product we had was quite attractive. But we had no option, we could not afford to go anywhere else at this point so we had to just work around it. For the next 3 weeks we had to pack up all our product every night and bring it home in my fathers car and trailer and put it in my Grandmother's garage to keep it safe. In the mean time, we secured a room in the basement so that we could lock up the product at night. This still involved packing all our product into boxes every night and bringing it downstairs, and bringing it all back up again the next morning. This continued for another year at least before we were in a position to rent more space behind us and build a stock room that doubled as a strong room. This was the only way we could be sure that the stock would be there the following morning when we arrived in to work.

While we had these precautions in place, we still had attempts where by they tried to break into the shop, but the alarm would usually deter them. However since they had already broken by some defences, we could not leave the premises unprotected. Therefore we had to spend several nights sleeping in the shop. These nights would be very cold as it was generally (but not always) in the run up to Christmas that these break ins would be attempted. Very often there would be a window broken and you would have a draught that would chill you to the bone blowing in through the window, but we stayed never the less. There was one night when one of the local pubs we sometimes frequented heard of our

plight and sent us over a bottle of whiskey and a kettle to make hot whiskeys. It worked, we were nice and warm that night. There were nights we would pray that they would come back as we needed some action to warm us up, but they never did..... thankfully.

We learned at a very early stage the importance of getting the security element of the business right. Every time after that when we looked at a premises for a new shop, one of the first questions we always asked was, “can we protect the premises properly from a potential burglary”? We always made sure that we had concrete or steel between outsiders and the product. All shops were properly alarmed and monitored by a central station. Due to this high level of awareness, we have only had one incident of successful burglary from any of our shops in 10 years. These early experiences served us well for our future.

These were not the only challenges we faced in the early days. There were only 2 of us to work seven days a week and we were open from 10 to 7 every day of the week except Sunday which was 12 until 6. It meant that we each had to work 6 days a week each with the odd lie in (morning off) now and again. But we did not mind, bar the tiredness. We would be on our feet all day and we were doing all the administration as well. Very often we would stay back late as well to tidy up or get something ready for the next day. At one stage early on we were still in dire need of gathering as many used games as we could so we would buy the Buy and Sell magazine and spend the day on the phone making arrangements to meet people all over the country. Then at night we would get a loan of one of our parent’s cars and drive around buying up every game we could. Our plan was that if we bought up every used game we could, people who were looking to buy used games would have to come to us as we would have “cornered” the market so to speak. We placed a business ad in the Buy and Sell magazine advertising that we sold used games. It was hard work buying up all the used games out there, but it paid off over time.

We decided to expand into selling new games after a few weeks, now that we were finding our feet. Again, we had to learn what games to buy. To do this, we would ask our regulars what games they were looking forward to getting when they were released. We would stand there taking down a list of the games they mentioned and these would be the games

we would order. We learned everything we knew in those days from our customers. Soon enough we were able to talk to our customers on an almost equal basis. The only time we would get caught out was when we would be trying to show some of the kids some of the games on the demonstration console. Remember, we did not come from a background of playing games. We would put the game on, and start playing. After a minute or two, the young lads would look up at us in all honesty and say, "Mister, you're crap at this, I'll show you what to do". So we would gladly stand aside and let the experts take over. We decided that our expertise would not be in playing the games, but in buying and selling them.

Very soon we learned that that we could not buy games from suppliers at a price that we could compete with our competitors and still make some money. We found often times that we could buy games cheaper from our competitors than from our suppliers. Very often this was what we did, buy the games from our competitors, add £5 on and allow people trade in their older games. It was hard work, but it was all about building up market share and regular customers.

I remember at one stage we sold out of Mega Drives early on a Saturday and we knew that we would need more before the end of the day. I walked up to Game on Grafton St and bought as many as I could carry and bought them back and added a few pounds on to what we had paid for them and sold every one of them and sold many other items with them. We would bend over backwards to please people so that they would return to us and we would convert them to being a customer for life. People appreciated the extra bit of attention they got from us and very soon we started to build up a large regular customer base. At this stage and for a long time afterwards, we knew the majority of our regulars by first name and I am delighted to say that 10 years on, many of them are still shopping with us and many more are now working with us.

One of the other challenges that had to be faced at the early stages was the maturing of the relationship between Mick, my business partner, and I, now that we were spending up to 6 days a week together and socialising together many evenings as well. It was a good thing

that we were good friends as we had to like each other to be able to spend so much time in each others company. We worked brilliantly as a sales team on the shop floor and we shared the admin duties, each of us taking the area that suited us best. At this stage we were paying ourselves £50 a week each. In present day terms it would equate to approx €100 p.w. It was the bare minimum we needed for bus fares, a few pints and the basics we needed to get by. It was tough, but we had agreed to keep it at this level to let the business grow.

Another thing that was important to solidify the relationship was trust. We both knew we had only each other to rely on when all else failed and also we had agreed that I would hand over 10% shareholding to Mick if the business went well and he was doing his fair share as at the very beginning I held 60% of the company and Mick held 40%. I felt that he had more than done his share to warrant this transfer and so when he mentioned it after the first few months, I signed over the shareholding without hesitation. I think this was an important milestone for us as we both undertook to do something that was important for our development and we both held up each part of the agreement. The relationship was able to move forward after being built on a solid foundation

In these early days we had several people offering advice on many different issues, but we did listen to one source in particular. William Kinsella, the owner of Chapters was always at hand to give advice when asked and encouragement when needed. We respected his advice as he had traveled the road we were traveling many years before us and was able to offer sound and sensible advice. I think it is useful to have an experienced confidante to bounce ideas off in these early stages. You will know your own business the best, but it can be reassuring to bounce an idea off someone like this and get their opinion to see if it varies from yours. If it does, it can just make you stop and think and I believe we made a few good decisions following conversations with our “business angel”. Our go, go, go energy needed to be tempered a bit by the voice of experience in those early days.

### **1.10 Marketing.**

Probably the biggest single challenge we faced starting off was bringing the brand / shop / company from its start up position as an absolute unknown to a position whereby it had a presence and some level of brand recognition within our target market, on a shoestring budget. We were a complete unknown, in a very secondary location in an emerging market. Not your ideal start up scenario, but one that many entrepreneurs will typically find themselves in. Many people would advocate the benefits of investing a large portion of their start up capital into a marketing blitz to make a mark. We decided against this as if we failed here we did not have a plan "B", and the game would be pretty much up at that point. We decided we would have to box clever instead.

We wondered how we could get a regular promotion that we could run every week, that would be high profile and cost as little money as possible. We looked at the market and asked ourselves, "what is the most recognisable, iconic figure in the industry that people instantly associate with the games industry"? The answer at the time was Sonic the Hedgehog. We decided to commission a costume manufacturer to produce a life-size costume of the blue hedgehog. I then managed to persuade one of my brothers to don the costume every Saturday and another of my brothers acted as his minder. I then got any girl I knew who would do an hour or two of work for free to don a "Gamesworld" hat and tee-shirt and hand out leaflets in Henry St for an hour or so while following Sonic the 6 foot Hedgehog. It worked a treat. The kids would go wild when they saw Sonic and it got us the required attention when we were handing out the leaflets.

Every half hour or so Sonic would walk back to the shop and it was like a scene from the Pied Piper of Hamelin. There would be a trail of kids following him, with their parents dutifully in tow. Then off he would go again to round up the next posse. As soon as we had people in the store, we told them what we could offer and gave them the personal service they could not get elsewhere. This tactic steadily built up a loyal clientele and business started to grow for us. We ran this constantly for months until my brother (the Sonic one that is) got fed up being punched in the tummy by kids and having attempts

made at setting his tail on fire, (I kid you not). You just got to love the kids on Henry St, and these same kids became loyal customers as soon as we gave them other options to do on a Saturday besides tormenting a six foot blue hedgehog!

This got the wheels rolling, but we needed to do more than this. At this stage we had suggested to Sony (who were about to launch Playstation) and who I knew would be about to spend a lot of money on advertising, that if we put money into advertising Playstation, would they match what we spent. They agreed. We then went to FM104 and asked them if we brought them Sony as a client with a guaranteed spend for 12 months, would they give us our ads at a discounted rate and cut us a deal for a 12 month campaign. They were delighted at the prospect and agreed promptly. We then got everyone around a table and hammered out a deal that suited everyone. We were able to leverage the buying power of a far bigger brand to support the promotion of our brand and position ourselves immediately beside Playstation in the minds of the consumer. It was a win win situation for all, and we saved a fortune.

We did something similar with Sony and the GAA. We had identified early on that we would like to be able to advertise directly to the school kids as these were our consumers, but we knew that the schools would never allow this. We then looked at where else we could get high volume clusters of our target market that we could market to directly. We knew that the GAA ran “summer camps” every year whereby thousands of our target market would get together to play football. This would be the ideal place to market ourselves. However, when we approached the GAA, we discovered that we could not afford to pay what they were looking for, but we knew someone who could. We approached Sony again and asked them that if we were able provide them with pretty much direct access to their desired target market, (which they would have to pay for), would they allow us piggyback on the vehicle for a nominal sum. They agreed as long as the numbers made sense. Again we brought the 2 parties to a table and facilitated a 3 year deal that gave us great exposure at a relatively low cost. Again it was a win win situation and everyone was happy. We had again managed to position our brand alongside a strong national brands in the eye of the consumer and helped drive footfall to our store.



To augment footfall to the store, again on a shoe string budget, we wanted to do some print advertising. However, there was no way we could afford to advertise in any of the national newspapers. We therefore decided that the Buy and Sell magazine offered the best option for us to hit our target market directly. We approached them and told them that we were interested in advertising with them and they told us what they were looking for, for a month's advertising. We offered them a deal whereby we would take a years advertising at a reduced rate if they would take part payment in product. They agreed as they were able to use the product for promotional activities.

This deal meant that we had a business advertisement in the magazine informing customers that we sold used games, and we were also busily working in the background buying as many of the games that were for sale in the Buy and Sell magazine in the evenings, (as I mentioned earlier). We had a few funny incidents whereby we would buy games from people in the evenings and they would arrive into the shop a few days later and they would laugh at what we were doing and tell us they admired our commitment.

After the success of the advertising in Buy and Sell, we set our hearts on bigger targets. The Sunday World ran a games page every Sunday. The Sunday World had a readership of over 1,000,000 every Sunday and this would include a large portion of our target market. The games page was the most widely read games related article in the country at the time. We decided that we wanted to get some level of mention on the page if at all possible. We knew that we would need a good hook to get the journalist who wrote the page interested in coming to talk to us. At this stage, Playstation had just been released in Japan and was not due to be released in Europe for another six months. We took it upon ourselves to import a Playstation from Japan and therefore were the first people in Ireland to have one. We then contacted the journalist and offered him an exclusive preview of the machine. Naturally he was delighted and arrived hotfoot into the shop with a photographer. He looked at the machine, played the machine, photographed the machine and was just short of hugging the machine. He was delighted and the following Sunday ran a full page on the machine and gave us a very good mention. As the weeks went on we got to know the journalist quite well and set up an agreement whereby if we supplied him with a Playstation and games for

competition we could place our logo on the page as sponsors of the games chart. This meant that we were getting regular coverage in the nation's widest read games page, at a fraction of what it would cost us if we went through the normal advertising channels.

All this helped drive footfall in our direction, but we had one final piece of the puzzle to complete. As we were located down the back of a bigger retailer's shop, we were sometimes hard to find if people were walking down the street looking for us. To remedy this, we negotiated with the owner of the bigger shop for some window space. However, this was quite small so we needed something with impact. We decided that again, the two most easily recognised characters in the games industry were Sonic the Hedgehog and Mario, so we commissioned a graphic artist to do up a window sticker of each character. They were bright and eye-catching and worked extremely well. We also did up an "A" board with stickers of each characters on each side and a big arrow pointing into the doorway of the shop. Tacky, but effective. You cut your cloth according to your measure.

### **1.11 Growing the Business.**

With the various things we were doing to help drive footfall to the store, we slowly but surely started to grow the business in the first year. While the first year was a difficult year, mainly due to our self-imposed restraints on paying ourselves and our determination to work hard, we did enjoy the fact that we were making progress. While progress was slow, it was steady and it seemed to us that to continue this growth we had to keep working hard and more importantly keep our feet on the ground.

One of the main drivers for us in this first year was for us to get to a position whereby we would be able to demonstrate to the banks that we were able to manage our business and finances and more importantly get the security of our parent's money lifted from the overdraft facility. This we managed to do after 12 months or so. Not only did we free up their security on the overdraft, but we repaid our parents the other £3,000 that they loaned to us. This was an important psychological milestone for us. We at last felt that we were standing on our own two feet, so to speak.

While we freed ourselves of any financial obligations to our family at this stage, I don't think we will ever clear the moral debt that we owe to both our families. Both families were extremely supportive, not only on a verbal basis, but on a pro-active basis. Many are the times we had to call on family members to help cover the shop for a few hours here and a few hours there. Family members helped us with all DIY jobs that we had to do in the shop. Leaflets were handed out whenever required and word of mouth about the shop was very often started by members of our own clans.

Both sets of parents, while retired from their own respective employments, took a pro-active role in the business in so far as they read papers and listened to the radio and if they heard our competitors advertising or any discussions about our industry, we were informed promptly. This was an excellent source of media monitoring that we did not have the time to undertake. It also gave us a great feeling of accomplishment as we could see that our parents were proud of what we were doing, even in the early stages when I think, in their

hearts, they did not really believe that it would go as well as it did, yet they were willing to support us in what ever way they could.

I think that were very few people in the very early days who believed that it would go as well as it did. I know that our competition paid little or no attention to us. We did not even appear on their radar in the early days. They were so busy trying to squeeze each other out of the market, we were able to carve out our own little niche unnoticed. We found it extremely tough to match our competition on price, so we focused on buying and selling used games and providing an unmatched service to our customers. These factors kept us off their radar. This, coupled with our relative size at this point, made us virtually invisible to them. We did not start to annoy them until later on in our development, which I will return to later.

Our confidence levels grew by the day as we watched the business grow. However not even we could have predicted the uplift we got at our first Christmas. I remember working many of the days, straight through, without getting a lunch. We sometimes had to ask regular customer who we knew quite well to pop out and get us a cup of tea, to keep us going, and they were more than happy to do so. There were even days we had to get customers to give us a hand taking in a delivery or something like that. We were very lucky in the relationships we built as we grew.

Not everything went well in the first year of course. I mentioned the break ins earlier. We also had to deal with the freezing cold in the winter and the energy sapping heat in the summer. We also had to deal with some cases of shop lifting. I remember one case in particular when I was processing used stock to put out on the floor and talking to a group of young "lads" at the same time. I was on my own in the shop when the incident happened. I got distracted by something and out of the corner of my eye I saw one of the young lads of about 10 years of age whip a game off the counter top. I secured the counter area and went out to the shop floor to follow up on the incident. The young lad was watching his mate play one of the demonstration pods and there was not a bother on him. I went over and started chatting to him and worked the conversation around to talking about his coat. As I

was talking about it, I tapped the pockets to see where he was hiding the game. No sign of it. There was only one other place he could possibly be hiding it.....down his trousers! And there was no way I was going down that road! I had to let him walk out with the game, but needless to say, he never graced us with his presence again as I had a little word in his ear as he left. It did teach me a good lesson. These guys will live in your ear if you give them half a chance.

The format holders Sony and Nintendo did not make it easy for us starting off. Initially Sony would not talk to us because they were annoyed by us because we imported a Sony Playstation from Japan. They called us “grey” importers. It was only a change of personnel that allowed us a chance to open an account. The new sales director came in to us and told us he would wipe the slate clean. He is glad that he did as we are now one of his biggest accounts in the country.

Nintendo asked us to sign a contract that would have excluded us from buying and selling used games. There was no way we were going to agree to this. We refused and told Nintendo we would source their product elsewhere, even if it cost us more. We were not going to sell our souls to Nintendo and stop doing the one thing we could actually make money from. As it turned out, Nintendo withdrew their office from Ireland a year later and never really recovered their market share in Ireland since.

### **1.12 – Supports for New Businesses.**

When we set up the business, the people you went to see about funding for your business, in general, was Enterprise Ireland. Therefore we had a look at what Enterprise Ireland's support structure was to see if it would be suitable for us and whether we would be suitable for them. Back in the early '90s there were certain sectors that EI (Enterprise Ireland) were looking to support. There was little or no support for indigenous businesses unless you happened to operate in one of the favoured sectors chosen by EI at that time. We also spoke to several different people who had been through funding proposals with EI and their overall opinion was that you spend so much of your time preparing presentations for them and being sent back for further research / follow up, that you didn't get enough time to set up your business or run it properly. We, therefore, decided to steer clear of EI as we felt that they would not be able to do anything for us anyway. Retail was not seen as a growth industry in Ireland or something that would provide jobs in the future.

We already had some money in place, as previously mentioned, from our bank overdraft facility. The next people we approached were the Finglas / Cabra Partnership. They were set up to help people in the Finglas and Cabra areas, which would have been at the time deprived, underdeveloped areas. It was set up to provide opportunities for people to gain employment or set up business. We had some contacts and we were able to approach them and outline our plan. They were very receptive to the idea, however, they said that their hands were tied and would not be able to do a lot but they did offer us IR£3,000 loan which we had to repay over 3 years at a very low rate of interest. It doesn't seem like a lot now, but at the time it was very important because we were able to buy more stock to fill the shop a bit more and make the shop look more presentable. At that stage of our development, we had very little money to buy stock. So this money was very useful to us. It provided us with working capital. They were an important part of our development process and something that we were very grateful for and still are to this day.

We were then advised by the Head of the Business Faculty at Dublin Institute of Technology, Paul O'Sullivan, that we should speak to the Project Development Centre

(PDC). The PDC is an offshoot of the DIT that helps to incubate young businesses. He felt that we could be suitable. We went along and did an interview. The first interview went well. However, for the second interview I had laryngitis and I could barely speak, so the second interview went very poorly and we didn't get offered a place. However, at a later stage when the Head of the Business Faculty heard of my plight he went back and asked the PDC to reconsider as he was absolutely certain that we had the potential and deserved a chance. Fortunately a position was turned down by somebody else and became available and luckily we were taken on board the programme. We found the programme very useful because a) it provided us with a small level of income every week, they paid, I think, £85 per week at the time which we split between us and b) we got access to various different seminars, various different mentors and more importantly, I felt, at the time, we were able to sit with other young Entrepreneurs who were developing ideas, developing businesses and speak to them and learn from their experiences, etc. We also found the mentors on the programme very encouraging and very positive in their outlook. This encouraged us forward and the whole positive energy throughout the organisation we found very beneficial.

One of the not so pleasant experiences that we had was with an organisation called First Step, which was set up by Michael Smurfit's ex wife Norma Smurfit to provide businesses starting up with key capital. I have mentioned this experience before but I think it deserves a second mention. This experience could have knocked us back or stopped us in our tracks, but we refused to be deflected.

At the time they were known as the "lender of last resort". The theory was that if you got turned down for funding by everybody else, First Step would be the last person to give you an ear and hopefully a sympathetic ear. We were encouraged by this reputation and went along and spoke to the organisation. We had put together our business plan and we said at the time that we expected sales in the region of £240,000 in the first year. Our first interview was with a guy called; to this day I still remember his name – Charles Craddock. He sat there and asked questions and said that he would have to take time to read through

the proposal, which we fully expected. We said that that was fine. So, off we went and returned a week or so later.

We sat down with Mr Craddock who spent about 40 minutes to an hour picking holes in our presentation and our business plan. We duly answered all his queries. However, at the end he basically turned around and told us that we didn't have a 'chance in hell' of turning over £100,000 in the first year and more or less laughed at us, told us to get out, not to be bothering him and stop wasting his time! Needless to say, we were shocked and horrified with his reaction to our business plan. We went outside and we were naturally a bit upset. It was a setback, a knock back, but we went off and sat and talked about it and thought about it and the more we thought about it the more we thought "no, that guy is wrong".

We knew what we are doing, we had done the research, we already had the business up and running, and at a low level, it was starting to prove itself. So, rather than it being a negative force, we turned it into a positive force and we took the attitude "right, we'll show him, lets do it". So it actually put fire in our bellies, not that there was much need for it, but it certainly added to it and we were even more determined to progress. I think it is very important for any young entrepreneur to understand that you are going to get knock backs. You are going to have people put you down. You are going to get people almost laugh at you sometimes, but you have got to be able to take it in your stride and say no, I am right and set about to prove that point. For us, at that particular time, starting off, it was a very difficult start off because there were very little support structures for retail in Ireland compared to if we had been involved in other industries. I do understand the reasoning behind it, that people feel that retailers will open 1 or 2 shops and provide a living for themselves and won't be setting up employment for dozens maybe hundreds of people, however, I feel that this is very much a short sighted view and I think we have gone a long way in proving that view point incorrect ..... And long may it continue.



### **1.13 The Next Phase.**

After we had our first store on Middle Abbey St. open and trading for about 12 months, things were going well and we were very encouraged. At this time, the owner of Chapters, William Kinsella was planning to buy a building in Liffey St and he approached us and asked us if we would be interested in taking the ground floor. So we, obviously encouraged by our progress to date, said we would certainly think about it. He continued doing further research and decided he was going to buy the building, subject to us renting it from him. We agreed that we would go in the ground floor subject to having a 1 year lease with an option for a further longer term lease if things went well for us for the year. Again, a rent level was set that was quite achievable for us and didn't put us under a huge amount of pressure. We also had the option that if it didn't work after a year we could go back to Middle Abbey St and the one store and we wouldn't end up with the whole business being dragged down. We were very lucky that William Kinsella was in a position that he could offer us an opportunity like that.

It suited him, he had faith in us, he had a good tenant, somebody that he liked and trusted. He wasn't taking a risk of buying a building without a tenant to go in to pay the rent which in turn would pay the mortgage. The one disadvantage about opening the shop in Liffey St, well it was both an advantage and disadvantage, was that it was very close to the original shop in Middle Abbey St. It was probably about 200 yards around the corner from Middle Abbey St. The challenge obviously was that we were afraid that we were going to cannibalise from our existing store and we would be drawing from the same consumer base.

At the time of opening, there was a lot of hard work involved in preparing the shop in Liffey St. and it was due to open at the end of September to coincide with the launch of Playstation 1, however, for various different reasons, one of them being the passing away of my Dad around that time, things got delayed quite a lot. We were under huge pressure in the last week to get the shop open.

I remember being in the shop the night before we were due to open. We had organised “a decorating party”. We got a group of our friends and family to come in about 6pm, after the builders had left to paint, to clean, to stock out and to do whatever we could to get the shop ready for opening the following day. We organised a few tins of beer and some food – pizza and things like that. It was great fun and people were so supportive it was just unbelievable and again to this day we are very grateful for all the support from all our family and friends who helped us out at that stage.

Playstation 1 was due to go on sale on the 29<sup>th</sup> September, we were in the shop at midnight on the 28<sup>th</sup>. We had people who had put deposits on Playstations in Middle Abbey St knocking on the door of the shop at midnight asking if they could buy the Playstations. So, of course, we couldn't say no because technically it was now the 29<sup>th</sup> so we sold about a dozen Playstations out the door that night, so before we officially had the doors open we had money in the till and again that was very, very encouraging. That night, after midnight most people had gone, myself and Michael Finucane were still in the shop and the last thing we had to do was clean the carpets that the builders had been mixing cement on. Yes you did read that correctly. They mixed cement on the carpets! We didn't have enough money to put new carpet down so we were left with no option but to clean off the cement as best we could. We got an industrial carpet cleaner and used that to try and clean the cement off the carpet. While we got it 95% clean there were still remnants on the floor and that was the floor that we initially started trading from and if my memory serves me well, that floor lasted until Christmas. It was in to the New Year before we had the money to replace that carpet. There were times when we were serving customers and if we had not got a 1p coin to give them change for a purchase, they would say, “don't worry about it, keep it and put it towards a new carpet”. All we could do was laugh!

Indeed, money was so tight at that time that we could only afford to open up the first half of the shop of about 500 sq ft because that is all the shelving we could afford. As things picked up and improved we'd open back another couple of feet until, eventually we had the whole shop open. In spite of the fact that it took a while to open up the whole shop we couldn't believe the difference in having our own branded shop, fronting onto a street. The

difference was like night and day, between what we were experiencing in Liffey St. and what we had experienced in Middle Abbey St.

From day one, the shop was busy. There were people coming into the shop buying lots of product. We knew that we were on to a winner at that point. The strange thing to note was that while Liffey St continued to grow and exceed expectations, Middle Abbey St. not only wasn't negatively impacted, but actually grew as well. Because we now had two shops in one area, if we didn't have a product in one shop, we were able to send customers to the second shop. So, people who hadn't shopped in Middle Abbey St at all previously, found us in Liffey St. If we didn't have the product they required there, we would send them around to Middle Abbey St and both shops actually grew and went from strength to strength as a result.

We used to have two "walkie talkie" radios and usually the shop manager or whoever was in charge of the store would carry them. Very often, if we didn't have a product that a customer asked for in one shop, we would radio around to the other shop and ask if they had the product and if they had, rather than actually sending the customer around, we ran around ourselves, got the game and brought it back for fear that the customer would walk somewhere else or would just get caught up doing other things and not go round and get the product. Also, it was tremendous customer service. Customers couldn't believe the trouble we would go to and I think this was one of the very important lessons that we learned very early on. If you take the extra step for the consumer, not only will the consumer come back to you but they will go and tell colleagues, friends, family about this fantastic place that they had found. They would spread the word that we were prepared to go to this level to give the required level of customer service.

Opening the shop in Liffey St had its own challenges. Security was a big issue for us then and still is today. But in those days, we were paranoid about the shop being broken into and all the inventory being taken, which would either have knocked us back 12 months or potentially put us out of business completely. We took several precautions to protect ourselves. One of these was that we put a steel door at the top of the stairway leading

down to the basement with big heavy padlocks. The shop was obviously alarmed and shuttered, etc but the steel door was like an extra level of precaution. Every night we used to pack up the entire stock of games, bring it down in boxes and put it downstairs. The following morning we would carry it back up the stairs. We did this probably for the first 12 months until we were absolutely sure that the building was secure and that no one was going to get in. That, I assure you, was really hard work. We would arrive in at 8.45am. We had to carry 8 to 10 big, huge, heavy boxes up the stairs and stock out the counter before you could even open the doors. We certainly needed our Weetabix in the morning before going to work!

It is things like this that people in the business now can't fully appreciate. The commitment that was put in in the early days by us, and the people who were with us, was incredible. Many of those same people are still with us now in senior positions. We worked our way from the absolute bottom up, as did many of our senior management team. They remember how difficult it was and how much hard work had to be put in to get the business from nothing to something tangible. I think that for most people starting out, this is the most difficult phase. Starting with nothing and working towards having a business that is a credible stand alone business. Without a shadow of a doubt the first two years of a developing business are the most difficult and our attitude of "whatever it takes" to succeed is what stood by us in those early days.

The next phase of our development seemed quite a strange step at the time and a lot of people questioned it but we knew exactly what we were doing. We set up a distribution side to the business. The reasoning for this was that first of all we had problems sourcing product ourselves in Ireland. We could not source new product at cheap enough prices to sell on competitively and make money. We often wondered how we could get product more cheaply ourselves and hadn't come up with a solution. Secondly, we were selling a lot of product for a lot of the publishers and we had earned a reputation as a company who could sell a lot of product for them. Two publishers approached us pretty much simultaneously and asked if we would distribute their product in Ireland exclusively for them. Initially we said no and said "listen guys we are simple retailers we don't know

anything about distribution". They approached us again two or three times and said "no guys, give it a go". So, eventually, we said, "why not, we knew nothing about computer games retailing before we started and we know nothing about distribution but we will learn it in the same manner as we did with retail".

We decided to go ahead and set up with two of them. Setting up this business brought about different challenges, the benefits were that we had direct accounts with the publishers and we were able to buy products more cheaply, the disadvantage was that we now had to set up credit accounts for our wholesale customers. We, therefore, went from a position of having cash in the bank ourselves and managing quite nicely to basically investing this cash in other peoples' business by giving credit accounts. But we had no option, we had to do it. That put a bit of pressure and strain on the business. The second thing was that we were still operating the business out of the basement in Liffey St. which was about 800sqft of which we used about 300sqft for office and 500sqft for product.

Very often we would have trucks pulling up outside, unloading pallets of product from the distributors. At first we would bring them down the stairs by hand, because obviously we had no lifts or electronic conveyor belt. However after a few weeks of this, we got a bit cleverer. Rather than running up and down the stairs all the time, we got two planks of wood and put them together and slid the boxes down the stairs. It was crude but effective. We even gave it a name. We called it the 'Plankomatic' and we laugh about it to this day, but it saved us a huge amount of leg work.

Unfortunately, when the product went down and was split up for re-distribution, it then had to be carried back up the stairs, brought out of the shop and put on a truck to go off to wherever it had to go to and this had to be done every evening at about 5 p.m. or 6 p.m. by hand. This, again, put extra strain and extra pressure on because it was extremely hard work. We had no control systems even at that stage. All our invoicing was done on Excel spreadsheets. All our accounting was done on Excel spreadsheets. Our credit control was done on 'back of an envelope' type of mentality. Controls were a bit loose but the business was still growing bit by bit.

Probably the two most difficult things we had to deal with at that stage of developing the business was, first of all, the challenge of trying to wear two hats – we were both a retailer and a distributor so many of competitors in retail found it difficult, some indeed found it impossible, to buy from us because they viewed us as competition, which naturally enough we were. They were very reluctant to buy from us, support us and help us grow our business. However, we managed to get almost every other premier computer games retail company in the country to buy from us at one stage or another and indeed we grew the distribution business to being probably the best or second best computer games distribution business in the country which was a feat in itself.

The other issue that raised its head at the time was that because we were basically running two different businesses using pretty much the same staff bar one or two people who were specifically used for distribution, a bit of an “us and them” attitude was starting to creep in. People on the retail side were blaming people in distribution and vice versa for inventory being short, etc, etc. It brought its own challenges and it was something we had to manage constantly and certainly pointed out to us at a very early stage the problems that can arise in trying to do too many things and having too many different people focussed on too many different areas. We learnt from a very early stage that focus was important – a common goal, a common drive was critical to grow and expand the business. While people had different goals, we all had to pull together as a team.

## **1.14 Upsizing**

As soon as we started to grow the business, we immediately had to deal with the challenges of upsizing. Probably the biggest challenge for an upsizing is dealing with more and more staff and I am sure everyone who has grown a business will identify with this. The people problems can very often be your biggest problems, your biggest challenge and definitely the most important area for you to manage.

We had two or three shops open when we came across our first big challenge in relation to staff. We caught one of our most trusted staff members stealing. We noticed the sales started to drop in our Middle Abbey St. branch at one stage. We realised that there was something wrong. We decided to put in a secret camera as we suspected one guy was stealing. We were amazed when it turned out that this guy was absolutely and completely innocent and still works with us on a part-time basis to this present day. We did find another guy who was ripping us off at a disturbing level and two or three guys who were being dishonest, but not to the same extent as the main perpetrator.

The heartbreaking thing about this was that this was a guy that we had taken straight out of school, given him a job, and we were paying to send him to college at night. He had been treated like family, he had stayed in our houses, we had brought him out, we were like big brother figures to him, he would come and cry on our shoulders and we were very close to him. So, when we discovered he was stealing from us, it was absolutely heart breaking. But we were absolutely determined that what he was doing was wrong and that he would have to pay for it. We compiled our evidence and brought him in for questioning. Initially he denied everything. He eventually confessed when incontestable evidence was put to him, so we called the guards who arrested him, raided his parents house and ultimately we had him charged.

It was a very tough time for us and it was a time that could have been a turning point for us in relation to the way we dealt with staff. After an experience like that you could develop a negative mentality towards staff. We sat down and thought about what had happened and

talked about it. We decided that in spite of what happened, we would not let it change our view on people in so far we presumed that most people are honest. There are going to be bad apples. Naturally we are going to come across them, but in general most people are honest and decent – let's treat people like that until they prove otherwise. The one thing that it did do was make us realise that we had to bring in better controls, better systems and employ people to take better control of the business.

The business was starting to grow and we would have to take a more mature attitude to the growth of the business. To this end, we went and hired our first area manager. We were due to open our third store in Waterford and we were made aware of a guy who was an excellent retailer who had managed stores in Russia and around Ireland, so we interviewed him and we were very pleased with him. We hired him and gave him the task of opening the store in Waterford first with a store to follow in Cork. He was relocating to Cork with his fiancé and was quite happy to take the challenge on board. Again, this guy has grown with us and is still with us today. There was a big challenge in handing over responsibility, handing over trust to somebody at this level and it was extremely important that we chose the right person and luckily enough we certainly seemed to have done. He has grown with the business and as we have handed him more responsibility he took it on board and reassured us that we could indeed delegate authority to other people and they would grow with that authority and responsibility.

One of the key things at the time was to build a brand. Gamesworld, as it was at the time, would not have been a well known brand as, obviously, it was a start-up business. Indeed, some of our competitors walked into one of our stores one time and basically compared us to street traders. We, at the time, couldn't really disagree because we had a very low standard fit out but we weren't going to let this stop us. We decided that we would work hard towards building and improving our image i.e. our brand. We choose other brands we wanted to line ourselves alongside. One such brand was the GAA. For example, we sponsored or co-sponsored some of their Summer School training programmes which I have mentioned before. We sponsored the Sunday World games column which would have had the biggest games readership in the country at the time. We spent a lot of money



advertising on the radio, again co-sponsoring various different ads with Sony Playstation. I think it was important at the time for us to be seen to align ourselves with the likes of Sony Playstation in ads, with the likes of the GAA and with the likes of the Sunday World. It gave our brand credibility.

One of the challenges of this particular time was to set standards, to manage information, to set targets, to set up reporting and most importantly to try and keep consistency across the stores. What we wanted was that a staff member could go from any one of our stores into any other store and be able to operate in that store very quickly. Again, the need for an area manager was obvious to us to achieve this level of consistency.

The most important thing that I feel we developed at this time was the recognition of the ethos within the company and the conscious decision to identify what this ethos was and to nurture it. There was something that made us different and we had to try and work out exactly what it was and how we were going to harness this. We had a stroke of luck at this point. As part of a follow on from the Project Development Centre we got on a course called the Fast Growth Programme which was for companies with a turnover in excess of £1million at the time and had grown by a certain amount over the last number of years and we fitted into the category. On this programme we had access to a lot of successful entrepreneurs who came in and told their story and that was very enlightening and encouraging.

However, probably the most important element of this was the mentoring part of the programme. We were very lucky that our mentor was a gentleman called David Manley who, at the time, was the Chairman of the Dublin Chamber of Commerce. He seemed to gel very well with us and we clicked from day one. The most important thing that David did for us was that he brought the key members of the management team together and extracted the vision we had in our heads for the company and put it down on paper. From this we were able to define what our mission, objectives and goals would be for the next few years. David played a huge part in our development as he put structure on our thinking.

The most important element of that particular strategic thinking was the identification of the ethos that was within the company. As I was saying earlier the thing that made us different was that when people came on board and started working with us they enjoyed working with us because of this ethos that we had nurtured. David pointed this out and it reinforced the point for us that this was critical for our future development that we nurtured this ethos. And indeed, to this day, it is something that is very precious to us and without a shadow of a doubt it would be something that I would say to any young entrepreneur – identify what is the most important part of your business. Ethos definitely is one of the most important elements of any business. It is not necessarily what people may join you for, but it is definitely what will make them stay and help the business to grow.

### **1.15 Character Defining Moments.**

Before I started up the business, I attended University to get an academic grounding and in case business didn't work out I would have something to fall back on, a plan B so to speak. Although I did learn a huge amount at University, there are certain things that they could not teach me as I could only learn these lessons through life experience. There were a couple of incidents that happened to us that were certainly enlightening.

The first incident was when our Head Office was located on the second floor of our Liffey St store. I remember I was in there one Saturday and I got a call from the shop floor below to come down as the roof was leaking. That didn't sound good so I went down to the shop and I was informed that the roof was leaking in two particular places so we set out to find out what the cause of it was. We figured that there was a blockage in one of the rain water or sewerage pipes. We were not sure but we thought that the water had backed up and was seeping out of joints and thus on to the roof and onto the floor.

On this particular day a torrential rain storm hit Dublin which made the problem worse and the leak was so bad that we had no choice but to close the store. Water started pouring down from the roof and pouring down the stairs of the basement into our safe area. The first thing we had to do was to open the safe and take out any money that was in there. As we were doing this, we noticed that the water was not particularly clean so we came to the conclusion that it was rain water and sewerage mixed. We were on our hands and knees scooping money out of the safe as the sewerage water was closing in around us and it was a pretty horrendous situation to find ourselves in. The shop was closed, the staff were there, and all credit to them, they went and got mops and buckets and started mopping up the water and pouring it down the drains in the street outside.

The funny thing at the time was that even though the shop was closed and we were bringing diluted sewerage water out of the shop in buckets, customers were still coming in under the shutters trying to get served and indeed we served ten or fifteen customers in that fashion. It just amazed me that some people are so determined to get what they wanted that even

with shutters down and diluted sewerage in buckets being brought out of the shop in front of them, this was not going to deter them.

We then decided to call in a professional drainage clearance company. A man arrived and pulled up outside in his van and started to find out where the blockage was. We spent over an hour, maybe two, looking, trying to find where the blockage was. We found all the drain rod points that we could and put the rods and hoses down trying to clear the blockage. But nothing was happening. It was now nearing the end of the day and normal closing time. There was no way that I wanted to leave the premises without having the problem solved as this would mean we would be shut for a longer period as it would be Sunday, or the next day before we sorted it all out. All credit to the guy from the drain clearance company, he stayed and said he would stay for as long as it took to get the problem solved.

He and I went up onto the roof and we were putting the hosepipes down a particular down pipe to try and see if we could make a clearance. Somebody called me on the walkie talkie to say that there was now water bubbling up through a crack in the floor. I had a vision of broken sewerage pipes broken under the building and I had a vision of this water rising up through the ground and that would have been an absolute nightmare. I went down to have a look and as I was standing watching the water bubbling up out of this crack I noticed a criss-cross pattern on the floor. There was lino covering the crosses on the floor so we pulled this back and low and behold wasn't there a man hole cover in the middle of the shop!

As soon as we lifted the man hole cover there was a sight that I will never be able to forget it was packed solid with sewerage,..... for want of a better word. As you can imagine there were a few people who had to turn away in disgust but as soon as the drain guy put a rod down that particular man hole it cleared the blockage and everything just flowed away. You can imagine my relief as that cleared. It was one of those incidents that you just cannot be prepared for at University, it is something you have to live through. We have laughed about it many times since, but the thing that really encouraged me was that all the staff stayed there and stood by us right through the whole incident until it was completely

cleared. The following day we were in at 8am, on a Sunday, cleaning carpets and doing whatever we had to do to get the shop open and trading the following day, which we managed to do. It was not the most ideal way to open a shop but we did it and we traded, the attitude was whatever it takes to move forward.

The second incident that again helped define the character of the company started one Saturday, again. A pigeon flew into the shop and was flying around inside the shop. The staff chased him and tried to get him out of the shop, but he disappeared and it was assumed he just escaped back out the door. Two or three weeks later we arrived in on a Tuesday or Wednesday morning, lifted the shutters up, walked into the shop and the shop was full of blue bottle flies. There were hundreds of them in the shop. We couldn't understand where they had all come from. We had to go out and buy tins of fly spray and we must have emptied at least 7 or 8 different tins of fly spray around the shop killing the flies.

Eventually, we managed to kill all of them. We cleaned them up, but we still didn't know where they had all come from. We figured out that something must have died and the flies had come from that. Somebody mentioned the pigeon and I asked them to tell me what had happened. We ascertained the exact location of where the pigeon was last seen and one of the guys remembered it being on top of one of the units. We pulled out the unit and there he was behind the unit, dead and decaying rapidly. This was just another incident that helped define our character and tested our resilience. After a couple of these incidents we figured that we were ready to take on pretty much anything in the retail world.

### **1.16 The Challenge of Transition.**

As we continued to expand and open up more shops in Cork, Galway and Kilkenny, the sales numbers we were starting to produce were starting to become significant. And, as I pointed out earlier, we were still very much running the business from Excel spreadsheets and this obviously wasn't going to be sufficient for us to take the business forward. We realised that we now had to take a more professional approach to the company and bring in structures and controls that would help the business grow. We realised that we needed a financial controller, someone with a lot of experience and was used to dealing with revenues of this size and more. We were not looking for someone who was a pure thoroughbred accountant. We needed somebody who had some commercial sense as well.

A lot of the things we were doing at the time were not necessarily profitable, which a person who was purely financially focused would point out very quickly. We were very much about relationship building and future building at this time and we were not interested in squeezing every last drop of profit out of the company. We had to do what was right for the business, even if it had a detrimental effect on the profits in the short term. We needed somebody who would understand those aspects of our business. We started the recruitment drive and searched as far and wide as we could. We searched in the UK, we interviewed people from top practices in Ireland and we interviewed people from some of the top companies in Ireland. We spent a lot of time looking for the right person, but could not find exactly what we were looking for.

I had worked with a chap when I was in college on my six month work placement and he had been my boss at the time. I remembered he was a young guy, very intelligent and a very good accountant but also had a lot of good commercial sense. I mentioned to Michael that this guy may be suitable and agreed that we should have a chat with him. We organised a meeting with Paul and asked him whether he would be interested. We outlined what our plans were and he said that he would be interested in discussing it a bit more. Mick agreed that he was the guy who had the right CV and the right sense of commercialism about him. He seemed to fit the bill.

Paul went away and thought about it for a while and then came back and said he was interested. We put together a package for him and we asked Paul how much he was earning. At the time he was a Financial Controller for a US multinational with five territories reporting into him so he was obviously on a very substantial package. When he told us what he was earning we nearly fell off our seats as there was no way we could have afforded that. However, we knew he was the guy that we wanted on board so we decided we would offer him a piece of equity with a drop in salary. We were unsure as to how he would react to this as it was quite a substantial drop in salary he was taking and he would be taking a risk by taking a piece of equity in a business that was very much in its early growth stage and wouldn't have had a sound financial platform to be operating from.

However, Paul, being the shrewd guy that he is, saw the potential in the business and in us and accepted the offer that we put in front of him. Naturally, we were delighted and we signed him up and got him on board. We spent some time putting together a legal agreement whereby he was guaranteed a shareholding and there were various different clauses that would kick in if he left or if we got rid of him for any reason or if we sold the business. So a lot of time and effort was put into finalising that agreement but I think an important thing for us was that Paul came aboard without that agreement being finalised. He came on board on trust, he trusted us and believed what we said and knew we would stand by what we offered. Very quickly we brought Paul into the Management Team and made him an equal member of the Management Team. Instead of there being two people making decisions, there were now three and Paul was consulted and his opinions were taken on board for every important decision. Again, a decision making framework was put in place and Paul also brought a lot of balance to the Team because at this stage myself and Mick were going through a difficult time with our own relationship in so far as he was looking after Distribution side of the business, I was looking after the Retail side of the business and we were both pulling in different directions.

Paul was able to come in and mediate and bring us together as a team and it is one thing that I will always be grateful to Paul for. He was that calming influence that we needed at

that particular time. More importantly Paul brought systems knowledge and very quickly he identified that the systems we were using at the time were not in any way sufficient, so he recommended a system be bought in, implemented it and set it up with the necessary control structures in place. Within six months of his arrival we had the system in and running and for the first time we were getting regular and reliable information, because until then we were very much running on gut feeling.

Another important thing that happened around this time was the moving to a new Head Office. Previous to this, we were still operating out of an office on a floor over the Liffey St. shop and using the basement for the distribution. What actually triggered this was that the distribution side of the business had grown so much that, I remember at the end of November in the run up to Christmas we had three forty foot trucks pull up outside the shop in Liffey St and unload eighteen pallets of product off the trucks into the store. We had pallets of product right the way down the middle of the shop. The customers had to squeeze by to get to the counter to buy anything. I remember looking at this and thinking “that’s it, we have to move to bigger premises away from the stores”.

We identified early the following year, in North West Business Park, a 3000 sq. ft. facility, 1500 sq. ft. of offices and 1500 sq. ft. of warehouse, which the company purchased and we moved into. This move marked the beginning of an era of further development of professionalism within the company. Because we were now operating out of a better facility, a lot of us instead of wearing very casual clothes – fleeces, tracksuit tops and jeans decided to start wearing shirts and trousers and dress a little bit better. We looked more professional and our staff could see that we were leading by example in our efforts to become more professional. We had a challenge in introducing change to the business in so far as raising standards, without losing the good things that made it a fun place to work.

One of the most difficult things at this particular time was to sit people down and have formal management meetings. I remember the first few were quite challenging. We sat there with an agenda and worked through the issues one by one. You could almost see



people going along for the fun and having a bit of a giggle and thinking that it wouldn't last long and the idea would be dropped very quickly. I remember it taking about six weeks of doing it continually and putting people under pressure at the meetings and making them realise that it wasn't something that was going to go away, before people realised that there was an air of change about the business. We emphasised that we did need to professionalize, we did need to improve our performance and that we were actually serious about what we were saying. Once we got over that point, people accepted it and were actually quite glad of it because again it gave more structure. They could see the business improving and growing and see us maturing as a company.

Out in the stores the biggest challenge at this particular time was getting the shop managers to take responsibility for their stores. Because we were in and out of the stores so much and in a way 'hand held' the guys, the attitude was that it wasn't their responsibility, it was our shop! We had to delegate responsibility, but more importantly there was the need to get them to accept the responsibility that it was their store. Yes, we ultimately owned the store, but they ran it and it was the store performance that they would be judged on. It took months for that message to get through to people, but again, once it sank in and they were given the responsibility people thrived on it and the majority of our people grew into the roles exceptionally well. There were one or two casualties at this stage who didn't want to take the responsibility, but they were the exception rather than the rule. To be perfectly honest we were glad to see some of those people go and again it got the message across that if people were not prepared to step up, we were prepared to let them walk or take further action because it was more important to us that people accept responsibility and help grow the business.

### **1.17 The Arrival of Prospective Buyers.**

After many years of building and growing the company, we had a clear idea of where we wanted to take the company and how we were going to get there. We had grown the business from nothing to having 11 shops, a distribution business and a turnover of €15m+. We had at times discussed our future and what, if any, would be our potential exit. I think we all accepted that we would not be building an empire that we would be handing on through the generations. Gamesworld was something we were very proud of, but was a vehicle to get us to where we wanted to be rather than a family heirloom. Because there were 3 of us involved in the ownership of the company, we knew that it worked well for us at that particular time as we got on well together, but there was no guarantee that we would work as well together in 30 years time and there certainly was no guarantee that our offspring would work well together. The one thing we were sure of at the time was that we would not be selling the company at this stage.....or so we thought.

Up to this point we had had a bit of friendly banter with some other retailers about them buying us or indeed us buying them, but we had always meant it in jest. We did have some rather strong indications of interest from Xtravision. Some of their directors, whom we knew from meeting them at industry functions, had often said to us that if we ever wanted to do anything on the expansion front, to come and talk to them. We always took it as them just trying to be friendly, but not actually meaning it. However, in 2001, Blockbuster UK announced the purchase of a UK chain of retailers called Gamestation. They paid what we believed to be a silly price for the company. A lot more than what it was worth. When we met the Xtravision guys at a function we jokingly said to them that since they were throwing such money around, why didn't they come and buy us. Low and behold, a few days later we received a phone call requesting a meeting to discuss the possibility of a transaction.

At first we laughed and then as we thought about it, we decided it wouldn't do any harm as we could do worse than talk to them at the very least. It would be experience so that in a few years when we were ready, we would have some knowledge of the process. So we

decided to proceed at a very cautious level. We got them to sign a non disclosure agreement and we sat down to meet.

We set some ground rules and got the talks in motion. They were very keen to keep it hush hush, which we did not find too unusual. We did find that after the first meeting in which all the key players were present, there was a lack of commitment from the other side of the process. There were constantly unavailable for meetings or were arriving late or unprepared. I had stood back after the first meeting and was letting the other two lads go to the meetings as they had a better relationship with the other side and we wanted a fall back position. I did get the feeling very early on that we were being led on a dance by the other side. Either they did not have the authority to make a decision themselves or they were just trying to pump us for information. We fleshed out the information that was publicly available about us and told them a few other bits of info without going in to detail or giving them anything they could use against us at a later stage.

We decided it was time to push them along and see what they were made of. We requested a meeting asking them to clarify what their intentions were and see the colour of their money, if indeed they were serious. When we got to the day of the meeting, I went along with our Finance Director to meet their Finance Director and Operations Director. First of all only the Finance Director turned up on his own and he was late. His preparation was deplorable and he was flustered and had a single sheet of paper which he had knocked together in 5 minutes. As soon as I saw this, I knew that they were not serious about the potential transaction. He gave us a flustered account of what he felt could be the starting point of the discussion, but I stopped him where he was and told them that first of all we were not interested in selling 100%, and that what he was talking about would not interest us in the slightest.

We informed him that we wanted to bring the discussions to an end unless they came back to us with a serious offer within 48 hours. We did mention that we had had an expression of interest from another party, but we could tell that they didn't believe us. That was a big under estimation on their part. They were so short sighted that they could not see anyone

from outside Ireland coming in to acquire an interest in our operation. Fortunately for us, we did indeed have another expression of interest at this point.

I have to say that I found the whole process with Xtravision a bit unpleasant, mainly because they were so unprofessional in their approach to the potential transaction and treated us with a level of disrespect. When we did not hear back from them within the required 48 hours, we called them and told them that we wanted any documentation we sent them back and wanted to terminate the discussion. They were a bit surprised and said that perhaps they could come back to it after Christmas. We said no, that was it and we would not be re-visiting this potential transaction.

We were deadly serious about this. We did have an expression from another party, but there was no guarantee that this would see the light of day, but we were not going to waste our time with people who were so unprofessional again.

The second company who showed an interest were GameStop Corp. It is quite strange how this transaction started. As previously mentioned, I had attended the DIT College of Marketing and Design (COMAD). When I graduated from here, I kept in touch with the college for various different reasons. For example, I went back on occasions to speak to students on what it was like with a start up business.

The president of GameStop.com was also a graduate of COMAD and he had been on the ground in the UK looking at some potential acquisitions for GameStop. He had looked at several companies and none of them were what they were looking for. In his travels people had mentioned us to him and we had also cropped up in conversations the Chief Operations Officer of GameStop had been having with European publishers. Their first real contact was made when he contacted COMAD to get a team of graduates or under graduates to do some research for them in Europe. The employment co-ordinator at COMAD told him that if he wanted to know anything about the games industry in Ireland, he should talk to us. He agreed. She then called me and asked me if I would meet him for a chat. Our attitude always was that we would talk to anyone. I had not heard of GameStop at the time, so I

logged on to the internet to see who they were. I discovered that they were the company behind the Babbages and Software etc. brands (who I had heard of) and had just re-branded to GameStop. They were a PLC quoted on the New York Stock Exchange and had 1200 shops (at the time) in the US. It certainly seemed like it couldn't be a bad thing to talk to them.

A meeting was set up in the Four Seasons Hotel in Dublin and we met Niall Lawlor the president of the GameStop.com. We talked in brief about the 2 companies and he asked whether we would be interested in examining the possibility of doing something together. We said we would be interested in discussing something on a partnership basis more than a full acquisition. We found out later on that this was exactly what they were looking for. Equally as important, they were looking for someone who understood the process involved in buying and selling used games. We had grown out of this market and therefore understood it fully. They placed a large emphasis on this aspect of their business and therefore any potential partner had to fully understand the importance of used games to their business. They had searched the UK looking for potential partners and could not find anyone suitable in their eyes, yet here, Niall believed, was a company who satisfied all their requirements. He returned to the US and urged the company directors to meet us.

The thing we liked about what they were saying was that they were looking to partner with a company rather than a full acquisition. This was of more interest to us and therefore we agreed that we would at the very least speak to the GameStop Corp company directors. At worst we would have the opportunity to spend time with the CEO and COO of the biggest games retailer in the world. We would have an opportunity to speak with some of the men at the pinnacle of games retailing in the world. At worst for us, it would be a good learning experience.

They were due in Paris a few weeks later and said they would try to get to Dublin to meet us. We suggested that we would go to Paris to meet the company directors there. I think they really appreciated the fact that we went to the trouble to travel to Paris to meet them

rather than them having to come to Dublin after a long flight from the US and several meetings. It certainly seemed to set the right tone for the meeting.

Before the meeting we got GameStop Corp to sign an NDA and we sent them some more information to flesh out what they already had from filed public information. We were less worried about giving them information as we felt that there was less chance of them going through this time consuming process just to get a look at the books of an 11 store operation. They had far bigger fish to fry.

We did our homework on GameStop and the executives backgrounds as well. We were quite familiar with their operation and top executives by the time we met them in Paris. Discussions with Niall, their chief negotiator, were going well. We seemed to be getting on really well and they were so professional in their approach. It was so refreshing after our previous experience. If they said they would do something by 12 o'clock on a certain day, they did, or at the very least would call or e-mail to apologise for being late and informing us of when we could expect the item.

We almost had a serious setback in the run up to the first meeting with the CEO and COO. A few days before we were to fly to Paris, a serious attempt was made to break in to our head office. It happened on a Friday night. We had just had a huge delivery of consoles that day and they were still in the warehouse. After the all the warehouses in the Business Park had closed up for the night, a gang of what appears to be professional warehouse robbers arrived. They had a car, a 4 wheel drive and a truck for this job so they meant business. We picked up these vehicles on video footage later. A number of our competitors had been hit already that year and there seemed to be a well organised gang behind these burglaries. In one incident they had spent 8 hours in one warehouse emptying it of the best stock.

It appears that first of all they cut the phone lines. Then they pulled out the anti ram bars at the warehouse back doors. They then went to disable the external alarm box. This is where they tripped up. As they were trying to disable this, it registered a tamper and sent a signal

out to our alarm monitoring company. Luckily we had put a radio signal wireless back up unit that they could not block. It was this that got the signal to the monitoring station as they had cut the phone lines.

I was giving my kids a bath before bed when I got the call. As normal, I got my kit for answering these calls ready, a torch, the keys and my mobile phone. I lived 5 minutes from the warehouse so from the time the alarm was activated to the time I arrived it was at most 10 minutes. I drove around to the front of the building at first and it looked secure. I then cautiously drove around to the back. Whenever I did this I usually made a call to someone so that I was talking to someone live in case I was “jumped” and they could inform the Gardaí.

As I drove around the back, I noticed something was out of place, but couldn't quite put my finger on it at first. Then I noticed the anti ram bars were missing and then I noticed a rope around the handles of the back doors where they were about to try to pull the doors open. I immediately got off the phone to whoever was monitoring the situation with me and called the local Gardaí. I did not know if the burglars were still on site and there was no way I was entering the building without Garda back up. When I got through to the local station, the Guard was a bit relaxed in her attitude to the situation. I had to stop her and tell her that I had written to her Superintendent only a week earlier pointing out that I felt we were a serious target for the gang who had recently carried out high profile robberies on our competitors. She told me there would be a car with me in 2 minutes. There was and we searched the premises and discovered that they had not managed to breach the building. The systems had worked. However, after the Gardaí left, we were left with the problem of what we would do protect the building as the alarm was now damaged.

I had phoned Mick Finucane, my business partner, and when he arrived, we agreed to organise sleeping bags and to sleep in the warehouse, taking turns to stay awake and keep watch. As soon as we got over the shock, we were laughing to ourselves. Here we are a

few days away from meeting 2 of the top executives from the world computer games industry and we were sleeping on a warehouse floor in sleeping bags protecting our stock from God knows who. Oh the glamour of it all!

It was a case of “Whatever It Takes”. There was no way we were going to risk losing consoles at that stage of the year so close to Christmas as we would never have been able to replace them in time. We then would have lost the Christmas trade and at this stage of negotiations with the US company, that would have been extremely detrimental to our case. It also could have just scared them off. Their first experience with us being that our warehouse gets cleared out. It would not have instilled confidence to say the least.

Anyway, we travelled to Paris a few days after this event. We had people staying in the warehouse all night, every night, up to Christmas Eve. It was a difficult thing for us to go at this time to Paris, especially as we could not tell anyone why we were going to Paris. We feared that people would think it inappropriate for us to be going to Paris at this time when we needed to keep it tight and protect the warehouse. We did put the necessary supports in place and made sure we had people we could trust and rely upon protecting our interests while we were doing something which potentially could be hugely important for the business.

We met the two top executives in their hotel and went a coffee in the foyer first of all. We spent an hour or so chatting. We were quite relaxed as they immediately got in to things we felt comfortable about..... our business. They wasted no time in getting in to it. We were quite happy about this as we did not want to spend any time messing around. We spent as much time asking them about their business. Straight away this was a connection. We got on really well and we could not believe how alike our two businesses were. They made it clear to us that they were looking for someone to partner with and run the business locally for them. They were looking for someone with a proven track record who wanted to stay on and build the business. It looked like they had found what they were looking for and we were delighted with what they wanted to do in the partnership. All we had to do was move it along and see if we could agree a mutually acceptable deal.



### **1.18 The Deal**

Upon our return from Paris, we were contacted by Niall who informed us that GameStop would be keen to progress discussions. Naturally we were delighted that a company of this magnitude were interested in progressing a deal with us. But this put us in a bit of a spot. Were we interested in progressing a deal with them? We now had to put our thinking hats on and decide if we wanted to progress this or not. We did not want to spend a huge amount of time on this project if we felt it was not going to go anywhere. We decided to push it along at a pace early on to test their level of interest. They asked us for further information to facilitate their decision making process. We told them that we would give a certain amount of information that would shed further light on the business, without compromising ourselves, subject to them coming back to us with a letter of intent or indication of non-continuance within 14 days. They agreed.

And true to their word, they came back to us with a letter of intent within the designated time. In the 2 weeks in between, I spent a lot of time on the phone to Niall discussing things and clarifying any pieces of information he needed clarified. During this time I started to build up a very good relationship with Niall and we started to get to trust each other. We spent a good part of these 2 weeks trying to find out what each others expectations were, to see if there was a common ground to be reached. A company called Gamestation had been purchased by Blockbuster in the UK so we had a starting point to start assessing what the deal may look like.

After the 14 days we couldn't wait to see what their letter of intent would look like. I remember I was in the UK on the Friday it was due to come through. Niall called me to say that the letter would be signed and ready to be faxed by 10-00 p.m. our time. He asked me would he wait until Monday to fax it. There was no way I was going to wait over the weekend to see it. I contacted Paul Hennessy, our FD who had access to a fax at home and confirmed with him that he was ok to receive it. Of course he agreed it was ok.

It was faxed to him and he read the content to me. We liked what we saw. They were being clever about the structure of the deal. They would pay a certain amount up front for the 51% shareholding, 2 fixed amounts at certain milestones and a final exit, if we wanted it, linked to us delivering agreed profitability. They agreed they would fund the expansion and remove all risk for us. It was too good a deal not to consider. Naturally this was subject to a due diligence and a final contract.

We sat down on the following Monday and talked it through as a group, Paul, Mick and I. We were all agreed that it was in the right ballpark for us, but we had to consider the potential negatives. First of all, we were handing control of the company we had built to some one else. Secondly, we would be employees, albeit very special employees, for the first time in 9 years. We would be signing up for a high octane growth plan and we would have to consider the possibility of moving our families to the UK. However we did also agree that it would be great to take some money off the table, take away the risk that we could lose everything and it was hugely exciting that we would have the opportunity (and the capital) to take the business to a level we could only have dreamed about before.

We were agreed, we would proceed with the negotiations and see where we ended up. We communicated this to GameStop and they arranged to get their Chief Financial Officer over to do the due diligence THE FOLLOWING WEEK. We could not believe the speed that they moved with. It was just as well we were organised and had our accounts etc in good shape. He arrived over with Niall a few days later and spent 3 days going through every aspect of the business.

We had the most detailed interview we ever had or are ever likely to have. They went through all our Accounting and Finance records, all our Human Resource records, our Policies and Procedures and our Management Structures. We were able to produce every piece of information they required and explain / defend every question / query they had. While the due diligence was thorough, it was not as difficult as we imagined it would be. They understood the differences and nuances of the business and this helped fast track through so many areas that people who did not understand the business would get caught

up on.. We went through the process and brought them to visit some stores so that they could better understand the business.

We were dying to know what the “result” would be. The CFO informed us at one stage that he was sent over as the guy who would say no, if he felt there was reason to say no. We brought him out for a meal on his last night and still had no indication of where we stood. So we said to him, “well did we pass”. He said nothing for a while and then said he would tell us later. Not long after this a bottle of “Cristal” champagne arrived. Cristal is one of the best champagnes, for the un-initiated, and we would never have been able to afford champagne as expensive as this before. We got the message. He was more than satisfied with what he saw. We were moving to the next stage. Even to this day, the CEO of GameStop teases the CFO about buying us that bottle of Champagne. He asks him what sort of example is that, the CFO buying bottles of expensive bottles of Champagne on “work” nights out.

We were now ready to move forward to the next stage. Within a couple of weeks on this they had compiled and issued the first draft of the proposed contract of sale and shareholders agreement. We brought in Corporate Solicitors and Corporate Financers as advisors, but we were very insistent from the get go that we would not allow the advisors hi-jack the show. The Corporate Financers in particular wanted to get in on the action. They wanted to get the other side around a table and “beat them up” in a negotiating manner of speaking. This was exactly what we did not want. We were afraid they would “blow” the deal by getting heavy. We were more than confident that we could handle the negotiating part of the deal as we had been negotiating on our own behalf for nine years and had done quite well. We handled all the front line discussions and then went back to our advisors and discussed the details went them. GameStop were of a similar opinion to us, keep the advisors on a leash and we can get the deal progressed fairly rapidly.

The contract negotiations moved along pretty quickly. Within a few weeks we had reached pretty much a final position, subject to a few final points. The last thing we needed to complete the deal was the final blessing from the CEO. He wanted to visit us, do a tour of

the stores and see the operation at first hand. This was organised and we met him and set about completing the final lap. We did a tour of the shops and spent a few days talking through operations etc with him. Again we were dying to know if we had passed. We felt that it had gone really well. We knew things were going well when he felt comfortable enough to take his shoes off when he was in the car with us and put his feet up and have a nap. Later on that evening, he said to us that he would be recommending the progression of the deal to the Board for approval. He said that in the off chance of them turning down the deal, he would be willing to invest in our company himself. We told him that was if we wanted him! It was on to the next stage now.

The final stage was to get the last few points agreed and get the monies transferred and the deal closed. The last few days were the most difficult of all. We were so close to getting the deal done, but the legal guys were really running the show at this point. We had everything agreed from a commercial point of view. We needed the legal teams to agree what they could between them and then we would be left with a list of what was outstanding and there was a process of taking a view on certain things and horse trading what was still left.

The main things in the agreement that we focused on were

- 1) The price paid for the share holding
- 2) The structure of our potential future exit
- 3) The main details of the 5 year expansion plan and the funding thereof
- 4) The contracts of employment and termination of by either party and how the shareholdings would then be dealt with.
- 5) The decision making processes on key issues going forward and clear definition of our scope of authority.
- 6) The clear indemnifying of all our liability in relation to guarantees that we had signed etc.

We had reached agreement on the week we would close on the deal. Niall and I were working into the night, working through issues. My wedding anniversary fell in that week and I remember turning the phone off for 2 hours while I brought my wife out for a meal. When I turned the phone back on, there were 3 messages from Niall in relation to closing issues. It was hectic in those last few days. It came to the day that we were down to the last issue. Niall and I agreed that we would get it closed that day. The monies were with our solicitors, who were holding it in trust. We had signed all our documentation and they had signed all of theirs. All it needed was one phone call from them to their solicitors instructing the solicitors to instruct our solicitors to release the monies and all paperwork. The last few hours were painful. Paul and I were in our solicitor's office and we were determined that we were not going anywhere until the deal was completed. Mick was on holidays in Spain at the time. We told him to go as he had delayed holidays several times for various different reasons and if he delayed again, his wife would never speak to him again.

Our solicitors were fantastic. They agreed that they would stay as long as was necessary to get it closed as well. There were several phone calls made and frantic discussions between solicitors with various undertakings been given by both sides that minor issues could be followed up at a later stage. Finally, at approx 11-30 p.m. our lead solicitor walked in to our office with a bottle of Champagne (not Cristal I might add), and two pieces of paper. He handed us the cheques and shook our hands to congratulate us. **THE DEAL WAS DONE!** It was a fantastic feeling standing there with a significant cheque in one hand and a glass of champagne in the other. It is a moment I will savour for the rest of my life. It is moments like this that make all the blood, sweat and tears worthwhile. Nine years of hard work had come to fruition.

We did not stay too long after this in the solicitors' office as we were conscious of how late they had stayed and the realisation that they probably wanted to get home. We were dying to have a pint to unwind as well. It was late and as we walked down Baggot St. we could not find anywhere open. We were starting to panic when we came upon a watering hole.

In we went and ordered two of the sweetest pints we have ever tasted. I called my wife and she came in to join us for a drink and to give me a lift home. It was a wonderful feeling to be sitting there having a pint with my wife and business partner and a significant cheque in my pocket. A cheque that was there as a result of the success we had from nine years of hard work. It was a watershed point in my life. I had wanted to set up a business since I was a teenager and be rewarded for how good I was and here was the fruit of my labours. And the best part about it was that it was not all over.

### **1.19 On to a Brighter Future.**

It's amazing how you feel the day after closing a deal like this. You have spent all your life working towards a day like this, and when it comes, you enjoy the moment, but you wake up the following day and it feels like any other day. Well there are some differences, your life has changed to some extent in so far as you have a level of security that you have strived for, for years. For years, you carry the risk that if things go wrong, you could potentially lose everything. Then all of a sudden, it's gone. It is a great feeling in one way, but when you are so used to it for so long, you almost miss it. I think an entrepreneur needs some level of risk in their business life. I suppose that the risk pattern changed for us. Gone was the risk that we would lose everything. We had been used to building slowly, but with the on going threat that if there was a major application of pressure from something outside of our control, we could lose it all.

Now we were safely out of that area. We had taken some money off of the table and had a security blanket around us. The risk factor was that we would be operating in a faster, high growth, intense pressure model which would have huge rewards if we succeeded and our loss would be the loss of a huge opportunity that we previously could only dream of, without losing everything. There was still a level of risk, so we were happy from that point of view.

The first challenge we would face after signing the deal, was with the perceptions of those around us and closest to us. We would have to manage the information as it broke and not let wild stories do the rounds. The story would not break in an official capacity for 6 weeks after signing, when GameStop Corp would announce it to the stock market. This gave us some time to prep some people for the announcement. We cleared it with GameStop Corp to inform our staff before the official announcement. Our staff knew there was something going on and we wanted to make sure they were not left to their own devices to fill in the gaps. We had always been open and honest with our staff, but we were limited in what we could discuss with them in this instance because of the Non Disclosure Agreement. When the CFO was coming over for the due diligence, we had to tell some of them something so

we informed them of the possibility of a transaction and reassured them that things would not change if it happened.

Now that it had happened, we wanted to reassure everyone that things would only change for the better. We got everyone together and told them that the deal was done. The first question we were asked was if we staying? People were afraid that we would leave the company. We told them that we were not going anywhere. We explained the mechanics of the deal to them and told them that we were tied in for a number of years at the very least. There were happy with that.

We did have to tell them that this information was confidential until the official announcement was made and asked them to respect that. From what I know they respected that and I did not hear a whisper back from anyone about the deal prior to the announcement. We also were allowed to tell close family, but that was all. My family and I threw a small party and we invited friends and neighbours, but had to have the party under the guise of a summer bar-be-que. We could not tell anyone the real reason, but people did say to me after the news broke that they thought it a bit unusual that one of my family members brought a bottle of Champagne rather than a bottle of wine, but then it made sense to them later.

We co-wrote a press release with GameStop Corp. They announced it on the stock exchange and we issued the press release the following day. The key point we wanted to get across in the press release was that the deal did not signify the end of our involvement with the company. We wanted to get across the fact that we were staying on board for the long haul and this was GameStop Corp's first foray into any territory outside their US powerbase. We were insistent that there would no photos of us printed with the press release. It was the brand we wanted to push. The press release hit most of the national newspapers and there were several follow up articles in the Sunday papers etc. There was a bit of a (mini) media frenzy for a few weeks and then it petered out. It was us they were



interested in and not so much the company. They wanted the people story more than the business story, but we were not interested in promoting ourselves. The interest from the media lasted a few weeks and then passed, which suited us.

We then had to decide if we would keep the brand “Gamesworld” or switch to “GameStop”. The US said the decision was totally up to us. We decided to go with GameStop for 2 reasons. First of all, we felt that if / when we moved to the UK, we would be better off with a brand that was universal across the US, the UK and Ireland. Secondly, there were a lot of independent retailers called “Gamesworld” in the UK already and we could have run in to problems with the name. Anyway, we decided to change the name. We had to plan and execute a brand change strategy which involved changing everything that had the Gamesworld logo to GameStop which included till receipts, bags, staff uniform, shop signs, letter heads etc etc. We then ran a brand specific ad campaign telling people that Gamesworld was now GameStop and explaining the benefits that the transaction would bring to our customers.

We decided that we needed total buy in from all our staff with this so we decided to throw a big re-branding party to celebrate the re-branding and thank the people who had helped us get this far. We also gave all the shops, who could not make it to the main party, a chance to throw their own party locally. We made a big splash with these parties and the reaction was great. We could see a sense of pride starting to develop with the staff. For too long we had to live in the shadow of our bigger competitors, but no more, and the staff were delighted. The most important message we wanted to get across to everyone was that while we were naturally delighted with the success to date, we were very keen to impress on everyone, this was only the end of Chapter 1. There was still a lot more to come. We had our feet planted firmly on the ground and were by no means going to get carried away by our success. We still had a huge amount of work to do to take the business to where we wanted to take it. We must have said this at least 10,000 times over those few months after the signing.

The next big decision was the decision to move the Head Office. We needed to move to a place with more space and more security. We located premises in Swords that fulfilled our needs. We were conscious of not losing many people in the move so as soon as we had selected the unit, but prior to making the final decision, we brought all the staff over one morning to see if they were happy with it. While it would involve some extra travel for most of them, they loved it. It was of a better standard than the existing warehouse and it had a canteen. We were surprised by how much this meant to people. But again they could see the benefits of what was happening. Things were continuing to improve. We did not lose anyone in the move to the new facility, which must be some type of record. All that happened was one of the staff changed from a 5 day week to a 3 day week. We were delighted with that result.

The next thing we had to do was to do a strategic review of the business in conjunction with the US guys and identify what were the key strategic issues that we had to deal with to facilitate the massive planned expansion we had in mind. We identified what we called the “foundation stones”. We agreed that we would continue to open stores in Ireland, but before we hit the UK, we would get the “foundation stones” in place. We spent the first 12 months after the signing of the deal getting all the pieces of the puzzle in place. Since the deal was signed, we re-branded the whole business, we moved warehouse, we put in a completely new accounting and distribution package tailored to our growing requirements and would allow us expand to our projected size. We hired for key positions and we set about training and more importantly indoctrinating the new hires to our “ethos”. We have doubled in store count and I have relocated to the UK in anticipation of our pending store openings. All that in 18 months! And it doesn’t look like it will get any quieter, indeed, we have bigger plans that if / when we execute them, it will bring us to the next level. Watch this space!

## **The Practitioner.**

### **2.1 – Management of the Business**

On reflection, looking back over the various stages of development of the business, the common denominator that was in situ throughout the process was the core management team. Mick and I were there from Day 1 and Paul joined at a critical juncture in our development. We were all different in many ways, but also shared some common qualities. We worked well as a team. Would we have been as successful if we had of tried to “go it alone”? Who knows? The fact of the matter is that we worked well as a unit. We have our differences and arguments, but at the end of the day we still kept playing for the same team.

We had many outside influences as well who helped us and advised us as we developed. However, no matter how much advice we took or how many people we listened to, we always made the final decision and took the responsibility for making that decision ourselves. We would never pass the buck. I will now take a closer look at the roles played by the key management team throughout the development and the influences we had around us at the time.

### **2.2 Positioning of the Entrepreneur.**

I think the key positioning between Mick and I happened at a very early stage. In fact it was put in place at the initial stage of the business. It was agreed that the shareholding would be 60% mine and 40% Mick's as the original idea had been mine, but Mick had added to it, but more importantly had the courage to put himself forward when I was initially discussing the idea with people. It was agreed that I would sign over 10% to him at a later stage if he demonstrated that he was fully committed to the business. It was also agreed that if we ever had a disagreement that we could not resolve, I had the casting vote. We felt it was important to have a decision making mechanism in place. Initially, titles did not mean anything to us as it is easy for anyone to be the Managing Director of a “shelf”

company. We were just two lads busting a gut to try and get a business off the ground and we did pretty much everything together.

The interesting thing was that while Mick had an accounting background, I started doing all the accounts work and while I had a marketing background, Mick took on the marketing role. I suppose those were the roles we were naturally drawn to and we were both comfortable to allow this happen. We had confidence in each other.

### **2.3 My Role.**

My role would be defined by me as the person with the vision and the provider of the natural energy to drive the business towards that vision. I think Mick would agree I was the stronger force in the provision of the vision and energy and he would help put shape on the vision. In the early days it was very much a case of leading by example. I very much believed in leading from the front. I would not ask anyone to do anything I would not do myself, and I would be the first one out on the floor in the mornings sweeping the floor and cleaning the windows. As the business developed, and we were getting more and more good people around us, my role changed. Instead of leading from the front and dragging people behind me, I found that people had caught up with me and were overtaking me in functional expertise. My role was then one of standing behind and holding the reins and making sure everyone ran in the same direction.

I suppose another key role I had was being the person who brought the key management team together and made sure we were agreed on strategic direction. I had to analyse all the information around me and take on board the opinions of those around me. At times I had to make difficult decisions, but then once they were made, I had to make sure they were enforced. People had to learn that while everyone has an opinion and they will all be listened to, one decision will be made and that decision will be final. Everyone has to row in behind that decision once it is made. There were times I went with things I didn't necessarily agree with, but as I did not feel strongly, and others felt more strongly about them, I went with them to see how it went. However, if I felt strongly about something,

that was it, decision was final. In a fast growth business, you can not rule by committee. You listen to people, but someone has to make the decision.

#### **2.4 Co-founder – Michael Finucane.**

Mick is the guy that I have sat with and bounced ideas off of since before the set up of Gamesworld. We were good friends from the age of 12 and did the normal growing up together things. When I floated the idea about the games shop, he was the one person who came back to me and said he would be interested in getting involved. He also added to the idea. When we set up, Mick focused on product supply and marketing as this often went hand in hand with suppliers supplying funds for marketing. He was really good at building relationships with suppliers and “playing the game” with them. He was definitely better than I at this, so over time I left all of this to him. Mick’s key role was managing our supplier relationships and executing “clever” but inexpensive marketing plans that helped us build the brand.

##### **2.4.1 Bringing in a New Partner – Paul Hennessy.**

Paul joined us at a critical juncture in our business development. We had moved into distributing games as well as running the retail side of the business. The turnover, inventory holding and complexity of the business were growing significantly and we did not have the systems / people in place to handle further growth. We identified the need to get someone who had better knowledge in finance and systems than us at this point. We searched high and low and could not find someone who we thought would fit the bill. Eventually I introduced Mick to a guy I worked with previously (Paul) whom I felt would fit the bill. Mick agreed and so we put an offer together to bring him on board. We could not afford to give him a similar package to the one he was on, so we gave him a reduced salary and some equity in the business. We felt that this would also show his commitment to the business. He accepted and joined us.

He played a crucial role at the time. First of all he did an analysis of our business requirements for that time and to facilitate future growth and designed an integrated system that would facilitate this projected growth. He then proceeded to implement it and set

about changing work practices to professionalise the business. He brought great change (for the better) to the business. We were thinking and acting more professionally. We had better structure and the banks were delighted that we had a “safe pair of hands”, minding the business, (and their money). Paul certainly helped us move on. I would go so far as say that the deal with GameStop would never have happened if Paul had not been on board. When they came to do their due diligence, we were able to provide them with everything they required.

Not only this, but Paul brought balance to the management team. At this time Mick and I were starting to see things somewhat differently and we went through a difficult phase whereby there was some tension. Paul helped us get through that by being a sensible 3<sup>rd</sup> opinion. He also helped us slow down a bit and keep our feet on the ground. Mick and I were always coming up with ideas and wanting to try new things. Sometimes Paul would just say, “let’s get this done before we move on to that”. He reined us in a bit I suppose and kept us focused on the core issues rather than trying to spread ourselves too thinly.

## **2.5 Entrepreneurial Networks.**

During these key stages of our development, we were very lucky in so far as we had access to a network of entrepreneurs / mentors who helped us as we developed. People like Willie Kinsella, the founder of Chapters Bookshops and Larry Coleman the founder of Movie Magic were there in the early days encouraging us and offering advice when needed. Then we met up with a group of other young developing entrepreneurs through the DIT Project Development Centre and Fast Growth Programme. This was very beneficial to us as it gave us access to experienced mentors and other young entrepreneurs with whom we could share experiences with. One of the key mentors we met here was David Manley, an experienced entrepreneur with wide experience and contacts. He identified the need for us to get a clear strategy on to paper so that we had it for our own reference and to share with others. He had a mechanism to help us get the ideas out of our head and on to paper. Looking back, I think this was a critical process that helped us enormously.

## **2.6 Entrepreneurial Attributes.**

Using these support networks and coupling them with our own skill sets, we were able to move the business forward. In retrospect, the main attributes I had can be outlined as the following. I have the ability to visualise a new business concept and provide the energy to create / shape the entity that would facilitate the realisation of this vision. I am prepared to take calculated risks so that I have the opportunity to realise the rewards of innovation and entrepreneurship. I have the determination to succeed. I sometimes think that the determination is driven as much by the fear of failure as the will to succeed. However the will to succeed is strong. I think entrepreneurs enjoy the journey of getting there more than actually arriving there. I have spoken to other entrepreneurs and they have agreed that they enjoy the journey and when they get the pay day that they have been striving for, for so long, they wake up the following day and it's just another ordinary day. It's almost an anti-climax after the thrill of the journey, despite the fact that this has been one of the key things driving them for years. Entrepreneurs feed off of this excitement and miss it when it is not there.

Some of the other key attributes that I feel I brought to the project is that I am very much a "people person". I interact well with people and have the ability to inspire people and give them a "vision" that they can believe in. I would also be a team player. I love being part of a team, but like to be a leader in that team. I enjoy the fruits of team success more than individual success.

Mick and Paul would share many of the same attributes in differing degrees of strength. The other core strengths they brought as well as many of the above is that Mick has a flair for marketing related issues and is excellent at building supplier relationships. Paul on the other hand is more analytical and systematic than us. He is less likely to arrive in some morning with an idea that will change the world, but he is excellent at taking ideas that we come up with and offering an analytical opinion. He is also very structured and is good at analysing situations and deciding what procedures need to be put in place to make sure some problem does not occur again. He is also very dependable and when Paul says something will be done, you know it will be done. He brought a nice balance to the team and while he may not be as entrepreneurial as Mick and I might like to see ourselves, he

certainly has an entrepreneurial flair in him that we recognised and could identify with. We knew that when we found Paul, we had found an animal of a similar ilk.

## **2.7 Transition**

Having these differing skill sets helped us through the transition we experienced as the business developed. I think one of the key points of transition for us was when we moved from being a small 2 shop operation run by the “2 lads” out of the basement of one of our shops, to being a retail operation with several shops, a games distribution business, head quartered out of our own freehold Distribution Centre with proper organisational plans, structures and systems. This all happened within the space of a year and Paul was a key part of this change. Mick and I had to learn to include Paul in all decisions making processes as he was now part of the key management team. I had to deal with the change of trying to do everything myself to managing a team of people who wanted to move forward themselves. There were some growing pains during this period and many work practices / customs had to change. However, with strong leadership and co-operation, people happily accepted the changes and could see that the company was better as a result of these changes.

## **2.8 Reflection.**

People often ask me would I do it again? Absolutely! Would I change things? Very little! What would I do differently? Again..... very little! I think I would have liked to nail down our strategic plan on paper sooner. It was in our heads, but having it on paper was a great sense of achievement and a great reference guide for us. I do wonder sometimes if we should have taken on more debt and grown the business faster and kept some of our competition out. We borrowed what we could afford to borrow and did not do anything that would take us down in one sweep. Sometimes the risk taker in me asks, “could we have taken more of a risk”? But you make what you believe are the right decisions at the time and you live with them. In retrospect I don’t think we made too many wrong decisions.....thankfully!



### **3.1 Analysis of Issues.**

Having outlined my experience of developing an entrepreneurial business in the previous two chapters, I will now look at established models that are used to study some of the key fundamentals of the entrepreneurial development process.

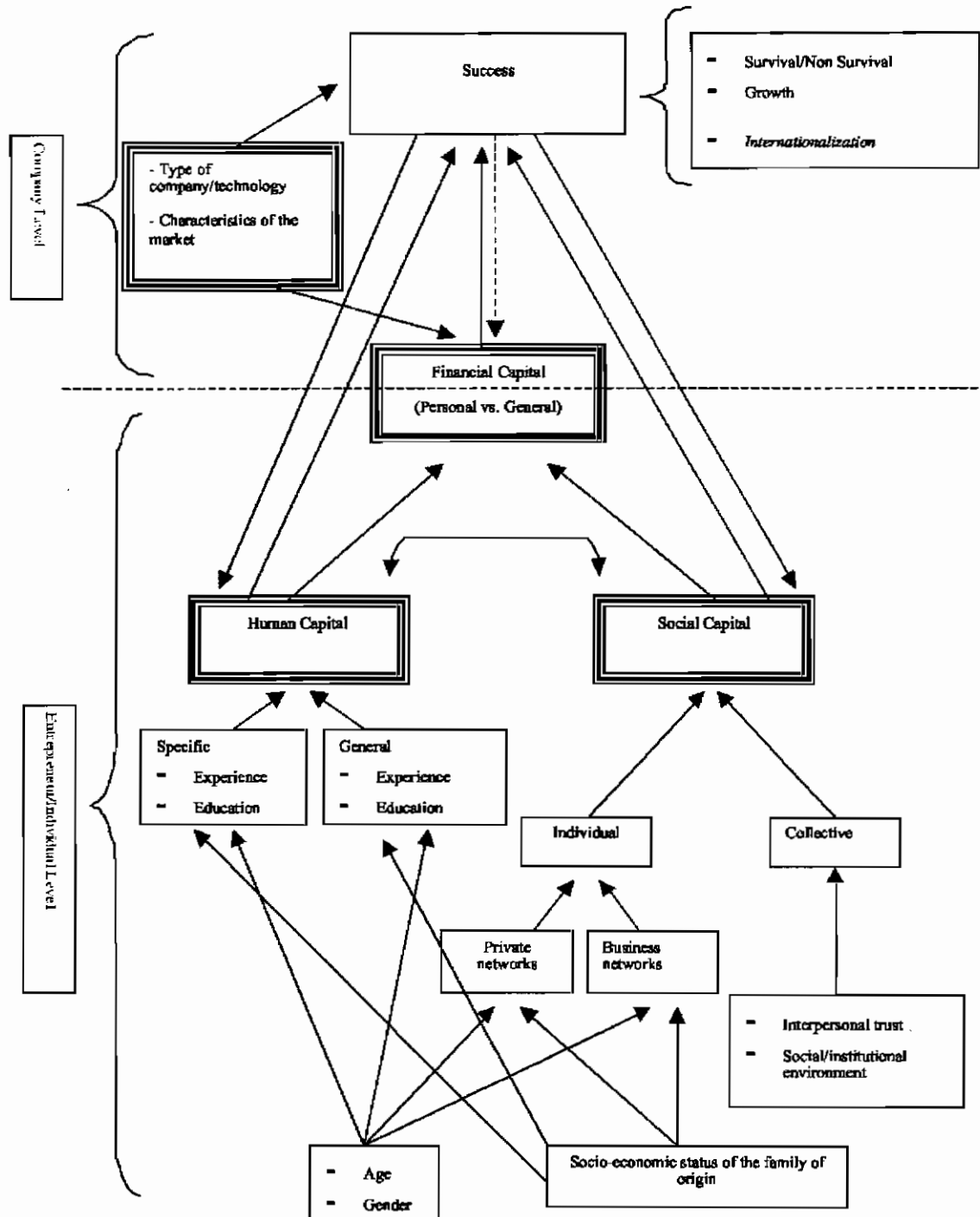
The models I will look at are as follows:

1. A model as presented by Patrizia V. Christensen, John P. Ulhoi and Henning Madsen from The Aarhus School of Business in Denmark in a paper called "The Entrepreneurial Process in a Dynamic Network Perspective. A Review and Future Directions for research".
2. A model presented by Carol Moore in "Understanding Entrepreneurial Behaviour" in J.A. Pearce II and R.B. Robinson, Jr., eds., Academy of Management Best Papers Proceedings, Forty-sixth Annual Meeting of the academy of Management, Chicago, 1986.
3. A model presented by Dr Magnus Klofsten from the Centre of Innovation and Entrepreneurship in Linköping University in Sweden in his 1992 thesis "Early Development Processes in Technology Based Firms". Such was the feedback from this thesis that he felt compelled to publish his findings which he did in 1993

I will briefly take a look at each model and explain why I chose the model I chose.

## Model 1

A model as presented by Patrizia V. Christensen, John P. Ulhoi and Henning Madsen from The Aarhus School of Business in Denmark in a paper called "The Entrepreneurial Process in a Dynamic Network Perspective. A Review and Future Directions for research".

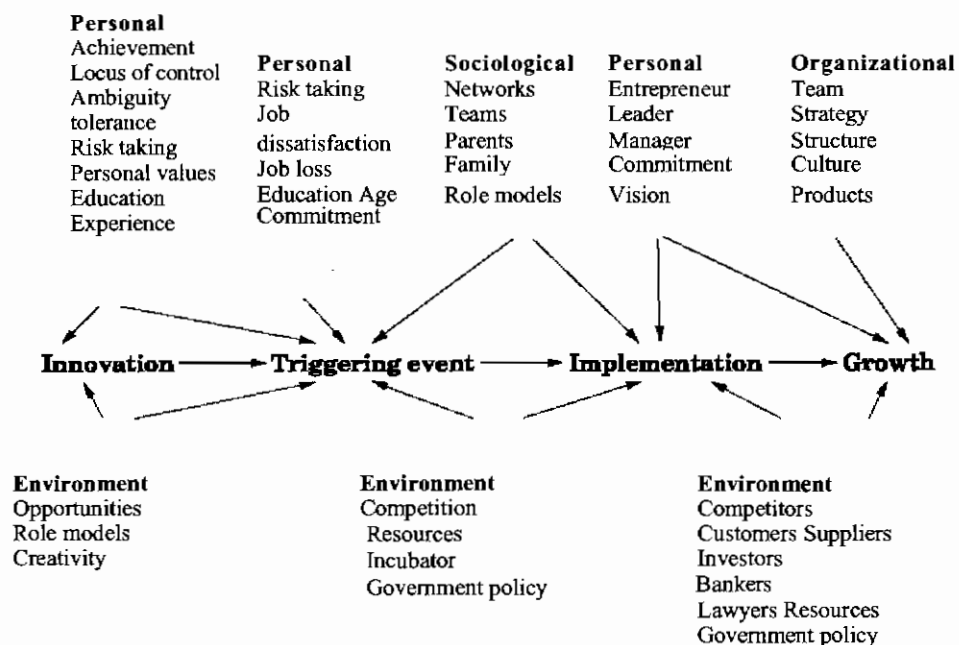


I found this model to be somewhat confusing and lacked many of the critical factors I believe one should assess when looking at the Entrepreneurial Development Process and again no attention was paid to the differing stages that an entrepreneur develops through.

## Model 2

A model presented by Carol Moore in "Understanding Entrepreneurial Behaviour" in J.A. Pearce II and R.B. Robinson, Jr., eds., *Academy of Management Best Papers Proceedings*, Forty-sixth Annual Meeting of the academy of Management, Chigago, 1986.

### Model 2 A model of the entrepreneurial process.



Source: Based on Carol Moore's model, presented in "Understanding Entrepreneurial Behavior," in J. A. Pearce II and R. B. Robinson, Jr., eds., *Academy of Management Best Papers Proceedings*, Forty-sixth Annual Meeting of the Academy of Management, Chicago, 1986.

I find this model to be quite comprehensive in so far as it covers many of the factors one should take in to account when attempting to assess the entrepreneurial development process. I don't believe it properly takes in to account time and the differing shape of the entrepreneurial process as an entrepreneur moves through the development process. This I feel is a somewhat limiting factor of this model.

### Model 3

The "Business Platform", as described by Klofsten, is an attempt by to analyse and document what he feels are the key factors which a business must have in place or overcome to translate an idea or an invention / innovation into a successful business model.

The piece of work was perceived to be ground breaking as it studied the development of 3 young businesses and studies the reasoning processes and driving forces that existed in these businesses and comments on how decisions made at this stage of the businesses development had a long term effect on the success or otherwise of the young businesses.

Klofsten defines the Business Platform as meaning that "the newly started firm has achieved a state where vulnerability has decreased to the point that the firm has been able to move on to the next phase of its further development". **This is the model that I have chosen to evaluate my experience as an entrepreneur with and I shall now go through it in greater detail.**

The likelihood that a company would generate sustainable growth was determined by its ability to satisfy the eight pillars of Klofsten's Business Platform model and how this ability varied over time. These eight pillars or cornerstones are as follow:

1. **Idea.** The formulation and clarification of the idea behind the firm
2. **Product.** The development of finished products accepted by customers.
3. **Market.** The definition of the market e.g. niche large enough to be profitable.
4. **Organisational Development.** The structured development of the organisation.

5. **Core Group Expertise.** Market knowledge, marketing and sales experience, technical expertise.
6. **Prime Mover and Commitment.** The entrepreneurs driving force and commitment.
7. **Customer Relations.** These relationships are important for all firms since they are the source of revenue.
8. **Other Firm Relations.** A variety of different relationships, particularly important are suppliers of financial backing and supplementary knowledge.

It is sufficient to describe the level of each cornerstone in three degrees:

**Low** – not yet articulated in a sufficient way.

**Intermediate** – Good understanding of what is needed to reach and working actively to achieve it.

**High** – Fundamental skills possessed and put in to operation.

Some cornerstones are present at Intermediate or High from the very beginning of some firms. The dynamics of their development differs not only among the cornerstones, but even among the levels reached.

Klofsten states that for a new business to survive, it must reach its “business platform”, within the first few years of its development. He further states that even when a firm has reached this condition where the initial vulnerabilities have been overcome, this is not any guarantee for its future survival. He further states that two fundamental problems must be solved before a business platform is attained

1. The flow of resources in a firm must be secured. This occurs when a sufficiently large and profitable market has been defined, when completed and accepted

products are ready for the market and when customer relations exist in significant quantity and quality.

2. The firm must be able to utilise these resources; for example, by the driving force and expertise of the owners and the employees and by the development of a functioning organisational structure.

Dr. Klofsten argues that a firm's early development stage is a critical development stage in the lifecycle of any business. He states that the reasoning processes and driving forces that exist within a business and the actions that are carried out as a result of these can be decisive in the continued growth and development of a firm. He insists that for a firm to grow in the long run, it must have the basic fundamental "cornerstones" which support the "Business Platform". Let us now take a closer look at the "Cornerstones" that make up the "Business Platform and how they apply to Gamesworld.

In relation to Gamesworld's levels of development, the 3 levels in Klofsten's model can be roughly broken as follows:

**Level 1 (Low) (July 1994 to Dec 1995)**

Set up stage. One shop being operated by 2 founders.

**Level 2 (Intermediate) (Jan 1995 to Sept 1996)**

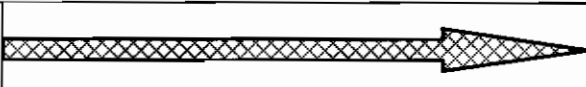
First steps towards professionalisation stage. This involved the opening of 2nd and 3rd shops, movement to a new warehouse distribution facility, beginning of games distribution business and hiring of a new Finance Director who is also accommodated as a shareholder.

**Level 3 (High) (Oct 1996 to Dec 1997)**

Stabilisation of business as a going concern. Growing steadily. Outside organisations are starting to become interested and approaches are made by different people culminating with the eventual purchase of 51% of Gamesworld by GameStop Corp in June 2003.

### 3.2 Klofsten Cornerstones.

Klofsten states that there are 8 key cornerstones as outlined below. Each cornerstone can move through 3 stages, low level, intermediate level and high level. I have illustrated this in the diagram below. Generally speaking, a business can move through all stages as the business develops. Each corner stone does not have to move to the next stage simultaneously. A business can be at different levels of each cornerstone at any one time. However, Klofsten states that each cornerstone must move through each level to achieve a successful business platform. A business can move straight from low level to high level or can even start of at high level on any corner stone depending on the skill set in each business.

			
	Low Level	Intermediate Level	High Level
Cornerstone			
Idea			
Product			
Definition of Market			
Organisational Development			
Core Group Expertise			
Prime Mover and Commitment			
Customer Relations			
Other Firm Relations			

I will now take a closer look at the 8 cornerstones that make up Dr Klofsten's Business Platform.

I will now take a closer look at the 8 cornerstones that make up Dr Klofsten's Business Platform.

## **Idea**

Probably the most fundamental aspect of any business is the idea upon which it is built. Without the initial idea, nothing else will matter or indeed happen. Many people start off with a very simple idea. These tend to be the best. An idea might come as a result of a blinding flash of genius, but more likely come as the result of necessity being the mother of invention. Ideas need to be clarified and developed. It is surprising how difficult it can be to translate a good idea to paper and communicate it to others in a clear and concise manner. I would suggest that if an idea can not be clearly formulated on paper and / or clearly communicated to others, it would be wise to re-visit it and simplify it. Dr. Klofsten suggests that it is relatively easy to develop an idea to the low and intermediate levels, but can be difficult to develop it to the higher level.

## **Definition of market.**

To develop any idea, you must be able to identify, define and quantify a target market. You must have a very clear idea of who your customers are and what their wants are in order to effectively understand them, communicate with them and ultimately convert them into to profitable paying customers. Dr Klofsten feels that it is easy for a company to attain a market definition at the low and intermediate level, but to be able to prioritise and define a profitable market is a much more difficult task .I would agree with Dr Klofsten that this is indeed difficult, but I would also add that markets are always changing and evolving and a company must be able to monitor, identify and be proactive in redefining their market if necessary.

## **Organisational Development.**

In general, with a start up company, the organisational structure is informal, loose, simple and fluid. It usually tends to be quite flat, if there is indeed a structure outside of the promoters. You will generally find a lot of cross over of functions. You will find the some people covering many roles and indeed, some people covering the same roles. Decision



making can be poor and undefined. Dr. Klofsten believes that it can be difficult for some developing companies to develop the organisation properly due to the entrepreneur's resistance to structure and the need to keep it flexible to allow creativity. I would argue that this can be true of any organisation. However, I do agree that the organisational structure must develop to allow the organisation to grow. Initially all decision making will rest with the promoters, but they must put functions and processes to de-centralise decision making so that the organisation can grow beyond the physical limitations of capacity of the promoters to deal with everything themselves. Every organisation will have its own key functional skillset that would be defined as a basic necessity for the early stage of development. It is critical that the promoters identify these and move to establish them. If they can't identify these and establish them successfully, there is very little hope of survival for their organisation.

### **Core Group Expertise**

Dr Klofsten feels that having a core group with the required expertise is critical for an organisations success. He states that very often it is already developed to a high level and can be easily compensated for if it lacking by bringing in another partner. While I agree with a lot that he says here, I would first of all add that not only is it important that the core group have the expertise to run the operation, but also that they are compatible. You can have all the skills in the world around a table, but it does not mean that they can agree on things and make it work. The skill sets need to be complimentary and compatible. There is no point in having 5 Nobel winning scientists if none of them can sell a product. It does not always follow that you can bring a partner in to make up for a shortage in a skill set. It is important to be able to identify a shortage in a skill set, but equally important to be able to fill this void with a person who will add to the team and not upset the working equilibrium, but can challenge the existing structure in a positive, constructive manner.

## **Prime Mover and Commitment.**

This is probably one of, if not, “the” most important corner stone to have in place. Almost all organisations are started up by an individual / group of individuals who have a vision of what they want to do. To do this they have to be absolutely committed and driven to get there. If this is not in an organisation, it will never move forward.

However, not only does the prime mover have to have total commitment, he / she / they have to be able to transmit this excitement and energy to the rest of their staff, their customers and basically everyone they come in to contact with. It has to be infectious to a point you can almost taste it. People have to get excited about the company / proposition. If you can’t sell the dream, how will you sell the product?

## **Customer Relationships**

Without your customers, you are nothing. The whole basis of the organisation should be to identify a need with a group of potential customers in a market place and develop an organisation that can satisfy that need in profitable manner. The whole organisation should be customer centric. The organisation needs to establish a culture whereby the customer comes first in their thinking on every matter. Every action should be preceded with a thought process like “will this be better for our customers”? “Does this satisfy our customer’s needs rather than our own”?

An organisation that puts their customer first has a much better chance of success than one who does not. An organisation that is in tune with a market place and their customers within that market place and knows how to service their needs profitably will be well on the road to success.

## **Other Firm Relations**

Dr Klofsten states that this particular cornerstone is one of the easier ones to achieve. I would be inclined to agree with him to a large extent. In general it is fairly easy to establish relationships with other firms at a certain level as it is in their mutual interest to establish a business relationship; however, at the early stages of this relationship, other firms tend to take very little risk with a new firm, just at the time when the new firm needs it most. It takes time for these relationships to develop whereby other firms have enough confidence in the newly developing firm to take any level of risk with them. Also, when you develop external relationships with external firms to a high level, you can sometime gain competitive advantage as they will give you special deals that they would not offer to firms who don't have the relationship developed to such an extent. This corner stone is one that is constantly evolving and changing and can sometimes be developed to a high level and can sometimes get knocked back due to changes of personnel in other firms. Very often other firm relations are built around personal relationships between people in the two organisations

### **3.3 Application of Cornerstones in relation to Gamesworld.**

I will now take a look at the Klofsten "Business Platform" model and comment on how I feel Gamesworld developed in relation to the model

To apply Klofstens concept to Gamesworld the following is an analysis of each cornerstone.

#### **3.3.1. Idea**

(Low Level)

*Klofsten*: "Idea is vague. Business concept is not articulated".

*Gamesworld*: Clear idea of introducing the "trade in" model commonly used with books, to games. Growth of games market observed in the US and instinct tells us it will come to Ireland / UK as well. Research carried out and results support concept.

(Intermediate Level)

*Klofsten*: "Clear, articulate understanding of the uniqueness of own product and know-how. First step towards a business concept is taken".

*Gamesworld*: Idea developed to a higher level. New games introduced as part of the trading model. More focus is placed on encouraging people to trade their old games in against new ones to stimulate sales of new games. Idea is incorporated into formal mission statement.

(High Level)

*Klofsten*: "Business concept in initial version. It defines (users) customers, their needs and ways to satisfy the latter".

*Gamesworld*: Idea is developed to a much higher level. All areas of the business are directed to clearly support the more challenging areas of the concept. Efforts are focused

on increasing supply of used games as this is hampering growth. Promoters understand the model even better.

I would suggest that the idea cornerstone was developed to a fairly advanced stage fairly quickly. We would not have started up if the idea was not well defined from early on. As time progressed, we refined and improved it, but it was relatively well developed from the start.

### **3.3.2. Product**

(Low Level)

*Klofsten*: “No finished product exists. Working model or prototype may be available”.

*Gamesworld*: The product is initially defined as a retail operation whereby people can buy and sell used games. Product is simple but not far reaching enough at this early stage of development.

(Intermediate Level)

*Klofsten*: “Beta product is tested on pilot customers”

*Gamesworld*: The product develops into a more entertainment focused, pleasant customer shopping experience while buying and selling and trading their games. Goal is to give all levels of customer in the target market everything they need to experience gaming.

(High Level)

*Klofsten*: “Finished product available with key customer acceptance”.

*Gamesworld*: Product is now developed into a fast moving entertaining interactive experience for the consumer with all their needs catered for and customer retention the main focus of the product. We provide all the options in the games industry. It's what we call the "Circle of Life".

The product cornerstone took longer to develop. It was underdeveloped and simple in its make up at the start, but as our resources and experience grew, it developed more rapidly. By the end of year 3, we had a strong product that we were confident to roll out.

### **3.3.3. Definition of Market**

(Low Level)

*Klofsten*: “Market not clearly defined. Perhaps tentative efforts to find customer categories”.

*Gamesworld*: Definition of market is clearly defined. It is young males in the 8 to 18 age group. Still a niche market and quite limited.

(Intermediate Level)

*Klofsten*: “Early mapping of customer categories but no priorities set”.

*Gamesworld*: Market starts to expand with the introduction of the Playstation 1. Sony attracts a wider demographic. Market now defined as predominantly male from 8 to 35.

(High Level)

*Klofsten*: “Market basics are defined. One or more profitable niches”.

*Gamesworld*: Market now moving towards a mass market with more and more families starting to play games, while still retaining its core. The games console has moved from the bedroom to the living room.

The definition of market cornerstone was always strong, but the market changed rapidly in those formative years so we had to make sure we understood the movements in the market place and if we had retained the definition from the day we started and not identified the change in the market, we would have missed a huge piece of the market.

### 3.3.4. Organisational Development

(Low)

*Klofsten*: “No organisational structure. No key functions. Informal ad hoc contacts.

*Gamesworld*: Organisational structure is very under developed at start up. 2 promoters split responsibility for functions while still allowing for a lot of cross over across functions

(Intermediate)

*Klofsten*: “Reduced overlapping of functional roles. Co-ordination of internal / external activities”.

*Gamesworld*: Need for a clearer organisational structure identified. Need to introduce certain skills identified. Need for clearer lines of authority identified. Action taken to "professionalise" the organisation.

(High)

*Klofsten*: “Operational organisational structure that enables problem solving, including integration / co-ordination of key internal / external functions”.

*Gamesworld*: Organisation structure becoming clearer. Responsibility being delegated to line managers and promoters are passing authority accordingly. Organisation structure starting to function as it should.

Our organisational structure developed late in these early stages of development. Because Mick and I had a hand in everything initially, we felt that we did not need to develop an org structure. However, over time it became obvious to us that we had to and we set about doing so. By the end of year 3 the basics of an org structure were being put in place, but there was still some further development needed here.

### 3.3.5. Core Group Expertise

(Low)

*Klofsten*: “Necessary business and technological expertise is lacking”.

*Gamesworld*: At the beginning the promoters knew very little about the video games industry. A lot of time had to be spent learning the industry. The promoters did have some relevant retail experience, but often relied on more experienced retailers for their advice.

(Intermediate)

*Klofsten*: “Necessary business and technological expertise available”.

*Gamesworld*: By now the promoters had developed a sound knowledge of the industry and fine tuned their retail expertise. They had also realised they needed to bring in expertise in certain areas to develop the organisation. Key personnel for key positions were sourced.

(High)

*Klofsten*: Corporate association to actors with high and well matched business and technological expertise.

*Gamesworld*: By now the core group had developed the most knowledge about the industry in Ireland and are recognised as such. Their retail knowledge is at a particularly high level as well. Key people have been brought in in key functional areas with more in depth knowledge or experience than the original promoters.

At the outset, knowledge was limited, even with the core management team. However, we set about learning everything we had to learn and fairly quickly we were well equipped to operate in the industry. By the end of this period, we were the most knowledgeable people in the industry in Ireland. While we may have started behind the curve, through hard work and determination, by the time we came out of the bend we were pacesetters in terms of core expertise in the industry in Ireland.



### 3.3.6 Prime Mover and Commitment

(Low)

*Klofsten*: “No driving force to develop a business activity. Founder(s) treat idea as a hobby”.

*Gamesworld*: The promoters were the prime movers and were 110% committed. With little capital and many obstacles in front of them, they had to apply themselves to every task and overcome many challenges that would have driven many away.

(Intermediate)

*Klofsten*: “No strong driving force to create a business activity. Small-scale commitment with personal orientation.

*Gamesworld*: Prime movers’ level of commitment remains extremely high and starts to spread through the rest of the organisation. Many line managers show extremely high levels of commitment as well and the organisation continues to move forward with less reliance on the promoters.

(High)

*Klofsten*: “At least one highly committed actor striving to create a business enterprise. Strong commitment of corporate staff”.

*Gamesworld*: The promoters continue to be totally committed to the development of the organisation and continue to supply the vision and energy to drive the business forward. The majority of staff show extremely high levels of commitment and this energy is transferred through the stores to the customers.

I think our model differed from Klofsten’s suggested model here in so far as he suggests that often people start out these projects as a hobby. This was exactly the opposite for us. We were totally committed to the project from day 1 and this commitment became infectious with our key staff. There was no half hearted commitment from any of us.

### **3.3.7. Customer Relations**

(Low)

*Klofsten*: “Under developed customer relations. Sales procedure is non existent”.

*Gamesworld*: The business starts off with no customer base. It slowly starts to build as the promoters spend a huge amount of time and energy building relationships with customers. Initially the promoters know 90% of their customers by first name. Word of mouth and clever cost effective marketing start to build the customer base bit by bit.

(Intermediate)

*Klofsten*: “Sufficient quantity and quality of customer relations. Pilot selling and sales evaluation”.

*Gamesworld*: The business is starting to build a good reputation for customer service. As the business grows, the promoters have to move away from the shop floor, but make huge efforts to spend time on the shop floor, when possible, to show new staff how we believe customers should be treated. Customer relationships continue to hold pride of place within the organisation.

(High)

*Klofsten*: “Sufficient quantity and quality of customer relations. Market acceptance. Opportunity for continued sales”.

*Gamesworld*: As the promoters move further away from the shop floor, they realise the importance of keeping the high level of customer service. A training and development manager is hired and Customer Service Training is placed as number 1 item on the agenda. The promoters still insist on dealing with customer complaints directly to emphasise how highly we rate customer service. It does however continue to be difficult to retain the same high standards as the contact with people in the organisation dilutes. Model has been proven and suggests there is potential for further growth of the market.

We identified from day one that one of the keys to our success would be in differentiating ourselves from competitors by excelling in customer service. We realised that we could not compete with the big guys on price, marketing budget etc. But a smile and a friendly chat with a customer did not cost us anything and we had friendliness in abundance. The importance of customer relationships was there strongly with us from day 1. The challenge we had as we developed was to make sure that all our staff were as committed to strong customer service as we were. This, I believe, we managed to maintain throughout this period.

### **3.3.8. Other Firm Relations**

(Low)

*Klofsten*: "No relational network for complementary resources. Shortage of capital".

*Gamesworld*: In the first year, relations with other firms started off as pretty much non-existent due to our lack of track record and low level of capital. Many companies would not give us credit accounts until we traded with them on a cash basis for a period. The banks would only give us an overdraft if our parents lodged an equivalent amount of money in the bank with pre-signed withdrawal slips. Our competitors paid no attention to us.

(Intermediate)

*Klofsten*: No variety in other relations. Financial relations established for capital supply".

*Gamesworld*: By now we were established to some extent and we found it easier to open accounts and get bigger credit limits. We had also moved in to the "Games Distribution" business at this point and we had to give others credit accounts. This put pressure on our cash flow. We were developing better relationships with other companies and were getting better deals. By now we had appeared on our competitors' radars, but they still left us pretty much alone.

(High)

*Klofsten*: “Network to supply Capital, management credibility etc.”

*Gamesworld*: At this stage we were well established, but still had to push our suppliers to increase our credit limits as we continued to grow to help part fund our growth. Our relationship with our banks at this point was that they were offering us money we didn't need at times. At this stage our competitors were very much aware of us and spent a lot of time in our stores and had started to copy everything we were doing.

This cornerstone was one that was hard to develop. I believe that by the end of the period we had developed it to a state that would be classified as high, but it was hard work. I couldn't count how many times I had to sit in front of people and justify our existence, never mind justifying our credit worthiness. It seemed as many suppliers were just simply putting up with us until we went bust or disappeared. Others were fantastic and offered us that little bit extra as they wanted to see the smaller guy get bigger so that they were less reliant on 2 or 3 big players who could bully them. I think the thing that stood to us through these stages of development was that we had a good reputation. We were credible and we did not give anybody any shocks. The thing that probably set us apart from others was our determination. There was one supplier, who would not give us a direct account for 3 years, but we hounded them and eventually in their own words, we “wore them down” and it was easier for them to open an account for us then to keep saying no. We are now one of their best customers.

### **3.4 Summary**

Upon reflection on the development of the business in light of Klofsten's business platform model, I would comfortable to say that I believe we achieved all eight cornerstones as suggested by Klofsten to a high level by the end of year 3. Some of the cornerstones were developed to a high level from early on, while others were much harder to develop and did not reach a high level of development until late on in the early years of development.

I would suggest that there were other corner stones that could be added to complement this model from my experience. There were other areas that I feel were critical to our development and had we not achieved a high level of development with them, I would wonder if we would have been as successful as we have been. I will put forward my suggested additions to this model in the next chapter.

## **4.1. Reflection.**

Having examined the development of Gamesworld within the context of the Klofsten model, it is fair to say that Gamesworld would sit within Klofsten's model of an entrepreneurial business. However, looking back at our development, I would suggest that there were other factors that I feel were critical to the development of the business that were not touched upon under analysis of the business under the context of the Klofsten model. This suspicion was confirmed when, during a reflective workshop discussing the development, other key factors were clearly identified and noted. An account of the workshop is outlined in Appendix 1. Let me now outline these factors and comment on each in relation to the development of our business.

Six additional factors that could be added to the Klofsten model in relation to examining this particular businesses' development, were identified as:

1. People
2. Systems
3. Ethos
4. Leadership
5. Communication
6. Mentoring

Let me now look at each of these factors at each stage of the business development, low, intermediate and high.

### **4.1.1. People**

#### *Low*

The most important asset of any business is the people in the business. At the start it was just the 2 promoters, but very quickly we had to start hiring. It is important that we hired people who we felt we could shape to represent us as well as we could represent ourselves.

We had to take on people who shared our beliefs about customer service, but brought something else to the business as well. It is people who do business. At the beginning, we did not have many people, both those who were there were highly committed. We regarded them as a key asset to the business, even though they did not show up on a balance sheet. Without good people, very little else matters as bad people will ruin it all anyway.

#### *Intermediate*

By now we had a lot of people employed in the business. We were still able to maintain a personal relationship and contact with everyone in the business. We had shaped many of the key people to act as we would act in everyday situations. They in turn led by example and had a positive influence on the people around them. The people we trained brought the way we did business to other people. It becomes infectious, as can the influence of bad people just as easily.

#### *High*

Still close to most of our people, but lack of contact reduced personal touch with lower level staff. To combat, we made sure that new comers were introduced to the key management team. Time would be spent with new comers so that they could put a face to a name and make sure we still keep a personal touch to the business. We also supported the grapevine communication of "legend" stories that defined peoples character and set down markers. By now we had developed a team of highly skilled, highly motivated people who loved what they were doing and this spread throughout the business and could be felt by customers in our shops. There was always a good "feel" to our shops and people picked up on this.

### **4.1.2. Systems**

#### *Low*

At the beginning the systems were non existent or extremely basic. Everything was controlled on spread sheets and had no proper accounting systems. Everything was worked

out "on the back of an envelope". That was all we could afford at the time, but even with this limited system, we were in full control of the business as it was not complicated to manage

#### *Intermediate*

At this point the business had grown rapidly and we were still using very basic control systems. It was getting harder to manage the different areas of the business and the numbers were growing. We needed to bring in someone with more experience who could advise us as to what systems would suit us going forward. We needed someone who could also implement these systems and take the lead without us having to focus our attentions on an area we were not suitably qualified to do. Therefore we sourced the right guy and he put in the right systems

#### *High*

By now we were becoming a medium sized business. We had to start adding modules to the system to give us more information and control a wider range of issues than we previously had to co-ordinate. We experienced some resistance to change, but overcame it. Constant upgrading of systems are necessary as you grow, but constant efforts are required to overcome resistance to change as well. With improved systems, we had better real time information to base our decisions on and it made it easier for people to do their jobs. Good systems are critical to maintain high standards and facilitate decision making and let people get on with running the business rather than fire fighting situations.

### **4.1.3 Ethos**



### *Low*

The ethos of a business is critical. Everything you do defines the ethos of the business at the start, and then everything done in the business should be defined by the ethos of the business at a later stage. We learned an early lesson on this. At one point early on in our development we would compete between us on the shop floor to see who could buy in the most games for the least money. It was great fun. However we soon realised we were ripping people off and they would not return to us. We therefore developed a train of thought that said "a fair price, a fair deal". This became a pillar of the ethos of the business, and still exists today

### *Intermediate*

We had to take the business from start up mode to a more professional stage. We had to make regular decisions on work practices that would have to change. Many decisions were based on what the core ethos of the business was, and many decisions defined the ethos going forward in other areas. We had some very basic principles that we adhered to and applied these to decision making processes. The core ethos was something that people began to believe in, understand and live by. It gave them a sense of worth about the company. At this point a huge amount of "shaping" of the business took place and many battles were had to hold on to core ethos beliefs

### *High*

Core ethos was now so well ingrained in people that we had to make less and less decisions ourselves that referred back to the ethos. I often heard people saying "but that goes against the ethos of the business" in discussions. The ethos that we had carefully fostered and nurtured had now become a central pillar of the business and helped us keep the basic principles that had got us to this point central in people's minds as they made decisions in the business. This is critical as you decentralise decision making in an organisation. Your ethos becomes a legacy that defines the business and its direction in to the future

#### **4.1.4 Leadership**

### *Low*

Can be confused with prime mover and commitment. A prime mover can be totally committed, but lack leadership. People need leadership and inspiration and they buy in to the leaders vision. There are many types of leadership and an entrepreneur must be able to identify their own style of leadership and if lacking personally, they must appoint a leader, as long as they can still direct them from a strategic point of view. A strong leader who can move a business forward through good times and bad is a key asset. We provided the leadership by "leading from the front". We would never ask anyone to do something that we would not do ourselves and we were first in and last out every day

### *Intermediate*

As the business started to develop, we had to put structure on the organisation as we could not continue to do everything ourselves. We had to develop a team who could provide leadership for others in the organisation. We choose the people who we felt could provide the leadership we wanted to see developed in the organisation. Our leadership style changed more to a listening / caring type of leadership. We continued to push the organisation forward, but we spent more time listening to peoples issues. We encouraged an open door approach to our leadership. Our attitude was "please tell what we are doing wrong and what we can improve. If we don't know what's wrong, we can't fix it". We still had to provide strong leadership when it was required and make the tough decisions when required

### *High*

Leadership style was changing again. After a period of leading and coaching our leadership team, their confidence and ability really started to grow. From providing leadership where by it felt we were at the front of the chariot, pulling the chariot along by sheer force of will all the time, it now felt that the people around us had not only caught up with us, but indeed were running faster than us in their own separate areas. Our leadership

style now was one of sitting behind the horses who are now pulling the organisation forward and controlling them and making sure they were all pulling in the same direction and working as a team. Leadership styles have to change to adapt to the developing stages of the organisation.

#### **4.1.5 Communication**

##### *Low*

At start up, communication was very informal and relatively unstructured. This was fine in start up phase as most communication was done on a face to face basis. This cut down on the chance that a communication could be misunderstood or mis interpreted. It was very important that people could communicate effectively both internally and externally. Our internal communication was all delivered personally at the foundation stage of the business. For external communication, everything we communicated to the outside world, we did so simply and clearly.

##### *Intermediate*

As the business continues to develop, it is impossible to deliver all communications personally, so you have to implement a formal communication structure both internally and externally. You have to control the flow of information, without stifling it. One of the biggest gripes we ran in to at this stage was that people felt that when they were not seeing us daily, that they somehow felt "out of the loop". We had to implement formal communications such as structured meetings and e-mail. You then have to educate people that this is now the way we communicate on a formal basis. Equally powerful a tool is the grapevine. Again, if this is managed and controlled, it can be a most effective communication tool

##### *High*

With continued growth, the communication structure had to change. As more layers in the organisation appeared, we had to manage the flow of information up and down and make

sure that our communications were clear, simple and consistent. We had to make sure that noise gating was not allowed creep in. People will try to only pass on information up the chain that makes them look good. We had to encourage people to pass good news and bad news up the chain. More and more meetings were held in a decentralised manner so therefore we had to ensure people were clear about what they were working towards and that relevant decisions were relayed to relevant parties. As information flows increased, it became equally important that the right people only got the information relevant to them. There is also a danger of information overload

#### **4.1.6 Mentoring**

##### *Low*

One area that can be overlooked is the area of mentoring. When you start up a business, no matter how much experience you have in your field, you are entering an area of new experiences for you. You can not under estimate the benefit of having someone outside the business who is experienced who you can bounce things off of. You will still make your own final decision, but it can be extremely useful to hear someone else's opinion who has travelled down that road already. We were lucky when we started out that we had an experienced retailer who had started up a business from scratch about 10 years before we did. His experience was invaluable to us in the early days when we were unsure in our ability to make the right decision at critical junctures

##### *Intermediate*

As an entrepreneur, you tend to have 100 ideas a day. It is easy to allow yourself be pulled in several different directions. We were lucky that during this stage of growth we were teamed up with a mentor who recognised the need for us to put structure on our planning and document it. We felt that we were clear about who we were and what we were about, but when he asked us to document our vision and break it down to a series of mission statements, objectives, goals etc, we found it incredibly difficult to do. Fortunately he was experienced in this area and through an interactive process he was able to extract this information from our heads and help us document it in a structured manner. It was like

going to confession. It was a memorable moment to see the final document. We now had a clear plan that we could show people rather than just talk about. It is something we have used a lot and continue to use to today in training new comers

### *High*

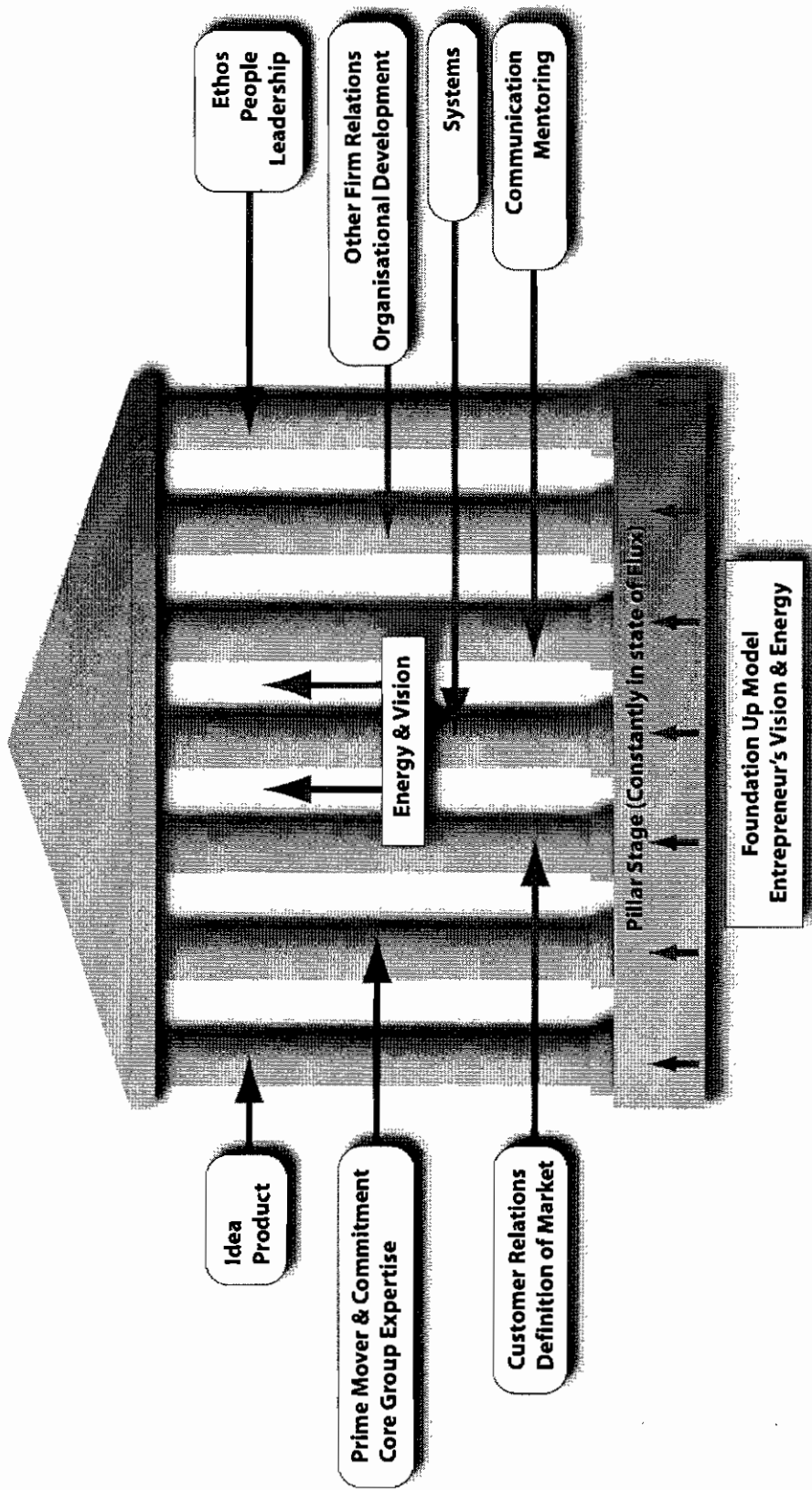
The final stage of mentoring for us was when we were in negotiations with the US Corporation in relation to a potential takeover. We were spending some time with the CEO, a vastly experienced retailer. We learned a lot of various things from him, but there was one experience that stood out in memory. We were visiting one of our stores and we were looking at a sign in one of our windows that said "Trade ins and exchanges welcome". He said "why don't you say "trade ins and exchanges wanted", its is far stronger. The penny dropped for us: Don't be shy in asking for what you want. This was the beginning of a key turning point in our business. Our trades in grew strongly from here on. Despite being successful and in the business for a number of years, we could still learn from those more experienced than us. The day we stop learning is the day we give it up.

## **4.2 Foundations up model.**

I feel that these points can be added to the Klofsten model. I have restructured the model to illustrate how I feel this model could be applied in the case of the development of Gamesworld.

**See next page.**

# Successfully Trading Business Model €€€€€€€€€€€€€€€€



It incorporates the 8 foundation stones from Klofstens model, the 6 suggested additions I have proposed and one final suggestion that I have not discussed as of yet. The reason that I have not discussed it yet is that it is something that I suppose seemed so fundamental to me that I assumed that it need not be mentioned, but as I have worked my way through this work, I realised that it is something that not only should be mentioned, but should be highlighted....."**The Entrepreneur's Vision and Energy**"! In my mind, this not only underpins the whole model by being the very basis on which the whole model is built upon, but it has an influence on every other cornerstone in the model.

A business would never even get off the ground without the initial vision and energy of the entrepreneur. It is the initial vision that creates the spark. It is the energy of the entrepreneur that fans the embers of this spark. This energy then passes through every aspect of the business at every stage of development. It is this energy that moves every cornerstone, through every stage of development from low to intermediate to high. Without this energy, not only would the business stand still, it would probably go into regression.

It is the vision that gives everyone in the organisation direction. It is the entrepreneurs' energy that moves the organisation towards the vision. This energy becomes infectious and people feed of this energy and the soon the movement becomes self perpetuating, to a point. The energy of the entrepreneur is regularly required to move the organisation forward in a significant manner.

### **4.3 Conclusion:**

After having travelled down a long and hard, but very exciting road, one tends to look back and say, “where have I come from, how did I get to where I am now, what have I learned and what would I have done differently”. I think I have covered most of this path at this point, except, “What would I have done differently”. I often ask myself this question, but I keep coming up with the same answer. Very little! The road I travelled has always been one whereby I have visualised at least one step ahead of me. I have always known what general direction I have been heading. I never broken in to a sprint that could cause me to fall and tumble. The steps were always calculated down the path that I could see in my mind’s eye. However, there were no guarantees that those steps were definitely there when I put my foot down.. I never knew what was around the next bend, but always believed that no matter what it was, I could go around it, over it, under it or just plain straight through it. I always believed that nothing was stopping this journey.

There were many speed bumps along the way and many differing routes to choose from. I believe that I chose the right routes as they got me to where I wanted to be. I could have taken other routes that would potentially have got me there quicker, but they also could have had bigger pot holes. Who will ever know for sure? The things I do know is that I absolutely enjoyed the journey and if I were to turn the clock back, would I do it again? Absolutely! Perhaps I may try to take up the pace a bit more, but perhaps I am saying that now because I have gained in confidence.

Were there sacrifices? Of course there were. I would try to have played a bit more sport along the way as I think that is one thing I enjoyed and had to sacrifice as I developed the business. I suppose everything has a price. That was the price I was prepared to pay. I was never, and never would be prepared to sacrifice anything in relation to family to succeed. That was probably the only pre-requisite I entered into the process with upon reflection. “Whatever it takes..... except sacrificing family relationships”.



To bring us back to the original question in this document. Is an entrepreneur born or created? I have fully explored my background and given some insight to where I have come from. I have given a detailed account of how my business developed. I have examined this development in the terms of the Klofsten model and having had time to analyse and reflect on this, I have added some cornerstones that I believe could be added to Klofstens model. Based on my experience, I have formed an opinion that an entrepreneur is neither born nor created, solely. I believe that you have to be born with some level of entrepreneurial instincts. These instincts can then be honed and fine tuned to develop a successful entrepreneur. Can you have a born entrepreneur who can be a success without fine tuning? Yes, I believe so. But I also believe that they will not develop to the utmost of their potential without fine tuning.

Can you make an entrepreneur out of a raw candidate who does not have entrepreneurial instincts? No, I don't believe you can. If the gut instinct and vision is not there, no amount of training will deliver a successful entrepreneur. For example, if you a skilled young footballer, you can train him to become a better footballer. If you have an individual with no basic skills in football, no amount of training will turn this player in to a skilled footballer. You need the basic raw materials to be constituent in a potential entrepreneur to be able to fully develop this potential entrepreneur into a successful entrepreneur. I believe that if you have a potential entrepreneur with the basic entrepreneurial instincts and then fine tune these skills in light of Klofstens model, while being cognisant of the additional suggested cornerstones I have put forward, you are on the road to developing a successful entrepreneur who can achieve Klofstens Business Platform. It is perhaps an interesting concept to further develop, but that's another days' work.

# Notes on Workshop on Masters Thesis:

Date 7<sup>th</sup> July 2005

Present

Katrina Lawlor  
Rea O'Neill  
Bernadette Casey  
Bernadette O'Reilly  
Kevin Neary

The workshop begins with Kevin Neary setting the background of Gamesworld, where the idea came from and how it began. It continued with Kevin going through the 8 cornerstones from Klofsten's model, focussing on what our position was when Gamesworld started up in 1994.

It moves on to Rea O'Neill suggesting that the workshop should examine if the 8 cornerstones mentioned fit within the Klofsten model and if the timeframe that these events happened in fit within the Klofsten model, the timeframe being within 3 years of set up, give or take. It was agreed that it would appear that they did indeed.

Rea O'Neill suggests that from his reading of the document, it is clear that many of the different cornerstones reach high levels at various different times. This again is consistent with the Klofsten model.

Katrina Lawlor agreed that issues that satisfied the Klofsten model came strongly through her reading of the document. However she feels that some issues came through as more important than others and that we should examine those.

Katrina Lawlor feels that the "idea" comes through strongly from her reading. Bernie Casey agrees and feels that Kevin Neary was looking at issues almost like a sociologist, always examining things and looking for opportunities. She wondered if that was a trait of an entrepreneur?

KN agrees that he has been looking for opportunities since he recognised he had entrepreneurial tendencies from about the age of 18. KN feels that this is something that somebody has to recognise within themselves.

BOR asks is Mick an entrepreneur? Kevin said that yes he is, but is unsure if he would have gone it alone if this project had not come along. However, Kevin went on to explain that when Kevin has "hopping the ball" to see who was interested in joining in the project, it was Mick who was the one to come forward.

BOR asks was it useful that we were both different characters and Kevin agrees that it was.

KL identifies 2 areas from her reading that she feels are not covered by the Klofsten model.

1. Certain entrepreneurial skill sets – being street wise, strong people skill etc
2. Being able to read a trend. i.e. interpreting your environment, spotting an opportunity and having the vision and energy to move it forward. Klofsten says that the “idea” can be vague, but KL says that it comes across quite strongly in the document that the “vision” is strong.

RON States that while Gamesworld fit within the Klofsten model, there seems to be more based on what we are seeing. KN agrees that there is a lot of merit in the Klofsten model, but feels that some elements of it could be expanded / added to.

For example KN argues that entrepreneurial visions is not specifically mentioned. BOR asks is that not assumed. KN asks, can it just be assumed. KN goes on to argue that from his experience, vision and energy are the very factors that underpin everything in the Klofsten model and therefore should be categorised separately. The workshop agree to the merits of this argument. KL then asks us to reflect on variables that it is felt are not covered by the Klofsten model.

KN re-emphasises that he feels that vision and energy are not taken properly into account. BC agrees that from her reading of the document the notion of “vision” comes across strongly. She feels that perhaps there is more to the Klofsten model in this particular case study. She also adds that the notion of “ethos” comes across strongly as well.

BOR challenges this and argues that Prime Mover and Commitment would cover this. KN disagrees saying that a Prime Mover may be totally committed to a project, but may not be able to transinit and share this with other people.

KL states that she heard another entrepreneur say “Imagining it makes it happen” and can agree with this sentiment.

KN agrees and goes on to say that the entrepreneur not only has to be committed, but can “paint the picture”, “create the dream” for others to live for.

KN suggests another addition to the model based on his experience. People. He states that people do business and people are your most important asset yet it is not covered in the Klofsten model.

BC states that it is interesting that we continually talk about markets, and not people.

KN suggests another possible addition. Systems. He feels that it is important to automate as many admin tasks as possible and let people be people.

RON feels that Klofsten assumes this. KN feels that it is a big enough issue, from his experience, to be classified separately. KN feels it should be split out from organisational structure.

KN makes another suggested addition. Ethos. This was touched on briefly by BC. KN continues to explain that the ethos of an organisation is very often the legacy left by its founders. Not only this. It is the intangible spirit of an organisation that people can feel and identify with.

RON feels that this is a strong and valid addition, but could perhaps be caught up in vision. KL disagrees. It is more than that. It is being honest with people, being trustworthy and generally being good with people.

BC strongly agrees and states that the incident whereby we caught a staff member stealing from us, but continued to assume that most people are inherently honest and therefore it would be unfair to assume everyone was a thief based on the actions of a few was a perfect example of making a decision to embody an ethos throughout an organisation.

BC continues to say that one phrase that stood out for her from the document was “bits of a puzzle fitting together”. This was put down to the effects of synergy / teamwork which she feels comes ultimately from the “ethos” of the organisation.

BOR feels that communication is another notion that comes across quite strongly from the document. It was emphasised in the document how important it was to effectively communicate our vision and ethos to our staff and customers. It was agreed that this was an important element that had not been clearly identified in Klofsten’s model.

BC further recognises that Kevin’s recognition of experience, not just his own, but of learning from others is an important factor. She goes on to say that Kevin recognises the value of “mentoring”. BC feels that this is an important factor not touched on by Klofsten’s model in this instance. The meeting agree.

RON identifies the significance of bring Paul Hennessy in and giving him a significant piece of equity. KN emphasises the recognition of the need for someone with Paul’s experience and skill set.

BC feels that this ability to understand people is important. KN agrees but adds that he feels this is already covered under the “people” heading.

KL explores the concept of “pre-understanding”. She explains that she feels that we “pre-understood” the need for Paul Hennessy to understand “wheeling and dealing” as a pre-requisite to bringing him in. She feels that I “pre-understood” the importance of have a decision making model in potential areas of major conflict by keeping the casting vote if we could not agree on issues. KN feels that this probably falls under the heading of

“vision”. You foresee the issues, understand them and try to deal with them before they happen.

RON at this point confirms that we did fit into the Klofsten model, but in light of the issues emerging from the workshop, it would appear that we had extra factors that we would like included in a new proposed model. He asks if these factors were more important to us. KN says he believes that all the factors were of equal importance with perhaps the exception of “vision and energy”. Kevin explains that without this, he believes that none of the rest would happen.

RON asks did we ever think about giving it up? KN states “never”. He asks did we ever have a serious financial crisis. KN says never a major one, but many occasions of “robbing Peter to pay Paul”, with suppliers at critical times of the year when pressures on cash flow were the greatest. KN explained biggest potential crisis was an attempted break in at the Distribution Centre in the run up to Christmas, just as discussions with the future US purchasers began. If that break in had been successful, we would have been out of business.

RON asks which set of factors were most important in developing the company? KN states he believes it was the vision and energy of the core management team.

RON asks KN to expand on who he classifies as the core management team. KN explains it is KN, Mick, Paul Hennessy and Patricia Farren, who has also been with us from the early days.

BC comments that KN does not mention in the document about getting stressed. KN explains that he feels he is lucky and does not get stressed about issues. BC wonders if it is a trait of an entrepreneur. KN explains that he knows many entrepreneurs who are constantly stressed. RON agreed. KN feels it is more a personal trait.

BC speculates that the ethos that has been developed could not have been developed by someone who suffers from extreme stress. KN agrees.

KN feels that this trait lends itself to his leadership style.

KL feels that leadership should be explicitly referred to. KN agrees.

RON feels that Prime Mover and Commitment could cover it. KL and KN disagree. KN explains that a Prime Mover could be 100% to the project, but unable to lead. KN further comments on how his leadership style has changed as the organisation has developed.

BOR asks do we have an advisory board. KN says no, but we have had access to mentors through all stages of our development. It is agreed that this is a key area that could be added as a factor outside of the Klofsten model.

RON reflects on the model as suggested by KN. Agrees that the model is correctly based on the Klofsten model, but understands agrees with the addition of other “cornerstones” in relation to our development and feels that the concept of vision and energy passing through everything in the whole model is the most important addition.

KN agrees and says this begs the question, “is an entrepreneur born or can he / she be created”? KN states that it is his opinion that an entrepreneur is born and then fine tuned through teaching. He believes that an entrepreneur can not be created. He believes that it is the application of this vision and energy that ultimately defines an entrepreneur.

RON asks is it the reward that drives the entrepreneur? KN agrees that this is certainly part of it, but equally important is the sense of achievement in visualising something and then delivering it.

RON asks KN will we keep on going with the business. KN states that he believes that an entrepreneur has a shelf life and a time comes in every organisation life whereby the entrepreneur should stand aside and let the organisation be run by people who are better at “running” an organisation. KN states that he would take a break and then consider starting again.

RON asks KN what his vision is for what he will be doing in 5 years? KN states that it is to take the present project to its natural conclusion, take a rest and perhaps start again.

KL enquires if there was anything that was not in the model at the start but perhaps came back in later? KN states he does not believe so. All the elements were applicable at all times. Some were just more applicable than others at different times.

RON asks if there was anything significant about calling the new proposed model “The Foundations Up” model. KN explains that it is his belief that if you don’t have a solid foundation i.e. a strong vision and accompanying energy, none of the rest matters. If it is not built on a solid foundation, it will surely fall.

KL states that she likes the model in so far as it is theory building.

KL asks what advice should be given of shaping the rest of the project.

BOR asks would KN use the Klofsten model? KN states that he would, but would like to add to the model as discussed.

All agreed that the additional “cornerstones” that emerged as a result of the analysis of KN’s document and the workshop are as follows;

1. People
2. Systems
3. Ethos
4. Leadership
5. Communication

## 6. Mentoring

It was further agreed that these factors would be added KN's Foundations Up model and further chapters would be added to the document to further discuss Klostens model in terms of the development of Gamesworld and further treat the suggested cornerstones after a period of reflection.

The meeting was then brought to a conclusion.

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